

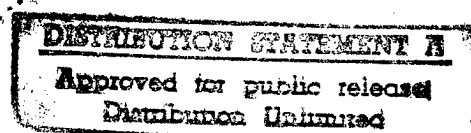
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CONTENTS

19 June 1992

ALBANIA

Aims of Eurosociatist Youth Forum [ZERI I POPULLIT 9 May]	1
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HUNGARY

Impact of Abrogation of Danube Dam Treaty [HETI VILAGGAZDASAG 16 May]	3
Chronology of Actions on Presidential Power [HETI VILAGGAZDASAG 30 May]	4
Political Struggle Over Radio, TV Chiefs [HETI VILAGGAZDASAG 16 May]	6
Political, Legal Aspects of Radio Chief Dismissal [HETI VILAGGAZDASAG 30 May]	8
Controversy Over Regional Prefects Discussed [MAGYAR NEMZET 28 May]	9
Tightening of Proposed Media Rules Discussed [HETI VILAGGAZDASAG 30 May]	11
Military Industry Office Reorganized [HETI VILAGGAZDASAG 30 May]	11
Trade With Independent Republics Assessed [HETI VILAGGAZDASAG 9 May]	11
Strength of Foreign Trade Bank Analyzed [TOZSDE KURIR 30 Apr]	13
First Lawsuit Related to Stock Exchange Filed [TOZSDE KURIR 30 Apr]	15
Ministry Salvages Bankrupt State Firms [HETI VILAGGAZDASAG 30 May]	17
Machine Industry 'Greatest Loser' in Privatization [TOZSDE KURIR 30 Apr]	18
Corruption Rampant in Construction Industry [MAGYAR NEMZET 23 Apr]	19
Privatization of Book Publishing Discussed [MAGYAR NEMZET 11 May]	20

POLAND

Leading Politicians on Future State Scenario [EXPRESS WIECZORNY 18, 19, 20, 21 May]	23
Candidates for Solidarity's Chairman Viewed [RZECZPOSPOLITA 26 May]	26
Walesa's 'Precedent-Setting' Address Analyzed [POLITYKA 16 May]	26
1991 Defense Industry Statistics Released [RZECZPOSPOLITA 7 May]	29
Trilateral Negotiations Reviewed, Described [RZECZPOSPOLITA 6 May]	29
Privatization 'Myths' Examined, Refuted [GAZETA WYBORCZA 30 Apr-1 May]	31
Current Position of Polish Ocean Lines Viewed [RYNKI ZAGRANICZNE 25 Apr]	34
Foreign Investment in Methane Production Viewed [RZECZPOSPOLITA 7 May]	35

CROATIA

Izetbegovic 'Slow' To See Croatia as Ally [VECERNJI LIST 1 Jun]	37
---	----

YUGOSLAVIA

Ways of Coping With Sanctions Proposed [POLITIKA 1 Jun]	38
South Korea To Supply Oil to Macedonia [NOVA MAKEDONIJA 23 May]	39
Adzic on Resignation, 'Dilemmas' of JNA [NIN 5 Jun]	39
Relations Between Macedonian, Serbian Churches [NOVA MAKEDONIJA 22 May]	43

Aims of Eurosocialist Youth Forum

92BA0995A Tirana ZERI I POPULLIT in Albanian
9 May 92 pp 1, 3

[Interview with Ilir Zela, chairman of the Albanian Eurosocialist Youth Forum, by Thoma Gellci; place and date not given: "The Youth Is the Basic Element of the Reform of Society: 10 May—The First Congress of the Albanian Eurosocialist Youth Forum"]

[Text] [Gellci] What is the goal of the First Congress of the Albanian Eurosocialist Youth Forum?

[Zela] First I would like to thank the newspaper ZERI I POPULLIT, which has always opened its pages to reflect the activities of the forum and the opinions of Eurosocialist youth, thereby making itself the voice of this forum.

The First Congress of the Eurosocialist Youth Forum will discuss and reflect on the many events that have occurred in Albania, on the great distress of the youth and of all of Albania, on the current efforts of the forum and on our prospects for our work in the future.

The congress will define the conceptual and organizational platform of the forum, as an opposition youth organization, as an important factor in the deepening and preservation of democracy in Albania, in defense of the interests of its members and of supporters of the option of democratic socialism with respect to a market economy.

Examining some important moments in our current activities we will define as directly as possible our objectives for the future and a practical course for their accomplishment.

Though it was essential at the time it was held and accomplished its goal, the founding of the Albanian Eurosocialist Youth Forum, the national meeting of the forum that was held on 15 January had some weaknesses that were reflected in its earlier activities.

It was unable to define a principal direction that would allow the forum to function like any political organization. The basic documents of the forum, the program and the bylaws, were not approved and neither the methods of coordinating work with the party nor the means and criteria for material and financial support for the forum by the party and its membership were established.

Our first congress is meeting to resolve everything that was emphasized above and to mark the beginning of more organized activities by the forum.

The congress is completing the final phase of the organizational structure of setting up the forum's principal branches and will define clear objectives for its completion and functioning.

But since we can't separate young people from their age group and its particular interests, the Congress will determine the principal direction of these activities and the way to broaden them.

[Gellci] What is the position of the forum in connection with the Socialist Party?

[Zela] Today's youth is not just an element for reforming Albanian society during this transitional period, but its basic strength. The complete remaking of society also requires the continual renewal of parties as its internal elements. In this framework the Eurosocialist Youth Forum is positioned as a force and opponent that plays an irreplaceable constructive role for the continual renewal of the Socialist Party in political and organizational activities.

It is important that we arrive in the Socialist Party as an organized block. The source of our current efforts and future undertakings is precisely that. The fact that the most qualified intellectual minds are in charge of the party increases the faith of the people in the Socialist Party as a serious party.

All those who are culpable for past actions and those who might seek an advantage in the future cannot be allowed to hide behind the name of the Socialist Party or the honor of the broad masses of members.

[Gellci] Have the results of the election on 22 March influenced subsequent activities of the forum?

[Zela] The involvement of young Eurosocialists in the electoral campaign was completely sincere, with the only goal being the maximum support for our option. This was the source of the dissatisfaction with the results of the election. But not once did this dissatisfaction change to discouragement, since it is obvious to all that our primary interest is the option which protects the Socialist Party as well as its future. At no time have we considered the results of the election as a loss, but we see it as a momentary dispersal of the weight of the established political force in Albania.

The completion of the electoral campaign marked for us the intensification of the work for the final organization of the forum. It has become clear to all that the forum was not a trumped up manipulation for electoral effect, but a sincere organization with actual influence in its own life and in the Socialist Party which always looks to the future. Such a stance resulted in many young people aligning themselves with us immediately after the elections and many Eurosocialists have been accepted in the Socialist Party in Pogradec, Tirana, Kukes, Gramsh, etc. So, we are determined to walk the road that we ourselves have chosen. The friends and supporters of the forum and our option are multiplying our strength.

[Gellci] Why is your Congress meeting before the party congress when usually the congresses of the youth organizations of the party meet after the parties' congresses?

[Zela] For us it has never been a goal in and of itself. The general opinion was that the Congress take place at a time that we felt necessary for the organizational structure of the forum and the continuance of its activities in current conditions. So, I see it simply as a coincidence.

Yet, being more organized and clearer ourselves about our options and objectives, we will have the opportunity to present a more well developed opinion at the party congress. Likewise the fact that our congress is being held before the party congress, again shows that our forum never considered the idea of a lever used by the ex-party and state over the organizations of the masses. So, we have and we preserve our specific activities within the structure of the Socialist Party.

[Gellci] What activities does your forum intend for the future?

[Zela] The spectrum of the forum's work objectives in the future is quite wide. By means of propagandizing and defending our options we will vocally call for the complete reform of Albanian society. In this framework, we will forcefully commit ourselves to the rejuvenation of the Socialist Party in political and organizational activity.

Care will be shown to cooperate and coordinate actions with youth organizations inside and outside the country.

We will make our contribution in the management of national issues and of the integration with Europe.

We will preserve the youthful nature of our organization by always aiming the organization of various youth activities towards the protection of their interests.

We will aim at setting up a forum organization in every town and city throughout the country. The first Congress of the Albanian Eurosocialist Youth Forum will make the clearest specifications.

[Gellci] Have you planned any relations with political organizations of the youth rather than Albanian political organizations?

[Zela] We have always aimed for points of contact with avenues of approach. Age, democracy, the nation, and the future unite all organized Albanian young people in political and nonpolitical organizations. Nevertheless, in our view, relations among forums aren't set up like those the parties plan among themselves; we depend little on the forums of other parties.

I believe that the end of the electoral campaign will allow them to see more clearly in today's albanian milieu and erase the party-type prejudices to pave the way for cooperation in areas where the possibility and interest exist for cooperation. It would be a lack of basic democratic culture for young people of the same age to prejudge one another because of their political beliefs. We regret that we have to admit that such cases are evident and that democratic culture in Albania is still in its first stage. In any case, just as we haven't prejudged anyone, we won't allow ourselves to be prejudged and neither will we fall into the traps that others might have set for us.

We believe that for some problems that simultaneously preoccupy all of society, and especially the youth of Albania, it is essential to create a combined institution of all the youth that could have the form of a round table of all the Albanian youth forums and societies.

[Gellci] Something about your life would be interesting.

[Zela] I am a fourth-year electronics student at the polytechnical university, a field that I am pursuing with great desire and passion. Along with working towards my degree in electronics management and automatic data processing, I want to make my modest contribution in support of the socialist alternative.

Impact of Abrogation of Danube Dam Treaty

92CH0595B Budapest HETI VILAGGAZDASAG
in Hungarian 16 May 92 p 101

[Article by Gabor Szabo: "Bos-Nagymaros—Our Contractual Ancestors"]

[Text] After a fairly long period of labor pains, which had already begun under the Nemeth government, and after an exchange of letters by heads of government and the failure of a series of talks in three rounds between government delegations, it appears that a decision by the Hungarian Government is about to be born: By 20 May it will dissolve the 1977 Hungarian-Czechoslovak Government treaty on building the Bos-Nagymaros dam.

At the end of October 1989, after the government had suspended building activity in Nagymaros, the Hungarian parliament, for the first time in the history of construction on the Bos-Nagymaros dam, authorized the government to initiate a modification of the dam treaty signed in 1977 by Prime Ministers Gyorgy Lazar and Lubomir Strougal. The Hungarian Government was to make its Czechoslovak partner accept the final abandonment of the Nagymaros dam at that time, and was to make the building of the Dunakiliti reservoir, which makes the operation of the Bos power station and boat sluice possible, dependent on an intergovernmental agreement containing ecological guarantees.

As a result of parliament's decision, the Bos power plant is not in operation today, but it was a close call. According to an unpublicized cabinet decision made at the time interpreting the decision by parliament, the Hungarian negotiators were still prepared to continue the construction in Szigetkoz if Prague would only declare that in principle it was prepared to conclude an agreement in the future containing the above-mentioned guarantees. As is well known, this did not happen, and there is an eerie similarity here to the most recent decision of parliament made this April. This decision states that if the Czechoslovak party does not discontinue work on the C-variant, which had not been included in the original treaty, and which in the opinion of the Hungarian Government and parliament violates international law, in effect, by changing the course of the Danube, then the Hungarian Government should abrogate the 1977 treaty and initiate the conclusion of a new agreement with Czechoslovakia concerning the Danube, which would reflect the primary importance of ecological considerations, would serve the purposes of flood prevention, and would promote shipping in conformity with the conditions of nature. If Prague—or rather Pozsony [Bratislava], which is playing an increasingly decisive role in the dam issue—had chosen the tactic of accepting the Hungarian conditions and suspending work on diverting the Danube River from serving as a border between the countries to flowing through Slovakian territory, then the 1977 intergovernmental treaty would have had to be regarded as still valid during further talks.

This was not the case, as was intimated in the 23 January reply of Prime Minister Calfa to Jozsef Antall. According to this letter, if the conclusions of the committee of experts and—we quote—"the monitoring of the test run of the Bos dam prove that the negative ecological consequences are greater than the expected advantages, then the Czechoslovak party is prepared to cease work on a temporary solution (i.e., the C-variant) and continue construction based on the joint agreement." In other words, construction—including even Nagymaros—will continue even if the damage which has already been done is greater than an advantage which can only be expected. After the display of such an unyielding attitude, it is not at all surprising that the Slovakian prime minister, Mr. Carnogoursky, the member of the Czechoslovak Federation's Government in charge of dams, decided in favor of rigid opposition. He was not even prepared to visit Hungary this week for a "last" negotiation.

With the expected abrogation of the treaty by the Hungarian side, the present government, which has been grappling with the issue of the dam since its election, wanted to "give a signal" both at home and abroad. Namely, as long as the original treaty foreseeing the construction of a system of dams consisting of two dams is in force, the Hungarian Water Boards will continue to argue that they were not advised of changes in what had been priorities earlier. For example, Gyorgy Jakus, director of the North-Transdanubian Water Board, recently told us that the Board still regards as valid a regulation according to which the maintenance of shipping is of primary importance on the Szigetkoz section of the river; ecological considerations, such as the insurance of a sufficient water supply to river branches, can only be considered secondary.

In contrast to this year's parliamentary decision, last April parliament authorized the government to replace the original treaty, which gave precedence to energy production, with a new treaty arrived at by mutual agreement. Since this attempt failed even with three rounds of meetings between government delegations, and furthermore the Slovak party had already begun to change the course of the Danube onto its own territory, it is completely unrealistic to expect that if the dam were to be put into operation now according to the original plans, it would be possible to take ecological issues into consideration during its operation. According to those who oppose the abrogation of the treaty, Dunakiliti—unlike the reservoir mentioned in the C-variant—is on Hungarian territory, thus putting the "key" to the operation in Hungarian hands. This opinion is based on the rationale that if no agreement can be reached on satisfying ecological water demands, the desired amount of water could be allowed to flow into the original bed of the Danube even against the negotiating partner's will. However, this would only mean that for an entire century, for the duration of the dam, the discussion of who-gets-how-much-water-and-when would be perpetuated indefinitely.

The C-variant promoted by Pozsony would, without Hungary's consent, divert the border river, stipulated as such by the Trianon peace treaty, for a stretch of more than 30 km. If the Hungarian party does not consider the 1977 treaty valid, the Czechoslovak Government can no longer state that diverting the river is actually based on that treaty and that it is only carrying out the Hungarian partner's share of the work with a "tiny" technological modification. On the other hand, after an abrogation, it is even more likely than before that Pozsony (or Prague) will not be able to count on outside sources of money to continue the construction of the dam. Western investors must reflect on the fact that they are financing an object of international legal dispute. In his address to parliament on Monday, Ferenc Madl confirmed that if this infringement of law continued, the Hungarian Government would even apply to the International Court in The Hague (although some Hungarian jurists rule out this possibility).

Incidentally, the money necessary to implement the C-variant is not included in the budget of the Czechoslovak Federation. This suggests that it is conceivable that the Hungarian abrogation will speed up polarization on the dam issue within Czechoslovakia. Another indicator of this point of view is that in recent days numerous Slovakian politicians have given statements on this issue, but only one has come from the Czech side.

Chronology of Actions on Presidential Power

92CH0639B Budapest HETI VILAGGAZDASAG
in Hungarian 30 May 92 p 8

[Unattributed report: "Presidential Days"]

[Text] **30 November 1988:** "As a relatively autonomous leader of the state, the president of the Republic is supposed to be one of the guarantees for the separation of powers," according to the draft constitution prepared by the Ministry of Justice. The president would be elected for four years by the National Assembly according to this concept, although the draft notes: "one must not reject from the outset (...) that the president be elected directly by the citizenry." The president may be recalled if he violates the constitution or other laws. At least 50 representatives must file a motion to recall the president, and the recall is subject to the affirmative vote of two-thirds of the National Assembly.

20 January 1989: "It would be appropriate for citizens to directly elect the president if the Constitution describes him as a factor of strength or medium strength," former Deputy Minister of Justice, (presently Constitutional Court Justice) Geza Kilenyi wrote in the second draft of the constitutional concept he authored. According to the new alternative, the president would not be subject to recall, but to removal; based on a motion filed by at least 50 representatives. The National Assembly would have to decide on the basis of a two-thirds majority vote whether to call a national referendum concerning the removal of the president.

8 July 1989: The law concerning the institution of the president of the republic must be adopted by the new parliament and the president must be elected by the new National Assembly, former law professor, (presently chairman of the Constitutional Court) Laszlo Solyom, representing the Hungarian Democratic Forum [MDF], said on behalf of the Opposition Roundtable (EKA). All this was said in conjunction with an idea that the then National Assembly agree to a proposal by a representative to present the "presidential law" to parliament during the fall of 1989.

19 September 1989: "We see no guarantee to the effect that the elections are going to be truly free," an Alliance of Free Democrats [SZDSZ] communique stated a day after a trilateral agreement was signed by the SZDSZ, relative to a proposal according to which the Hungarian Socialists Workers Party [MSZMP] wanted presidential elections to take place in advance of parliamentary elections.

23 October 1989: "The National Assembly shall elect the president of the Republic by secret ballot," according to a provision of the Constitution of the Republic that took effect on that day; asserting in the final paragraph that if the office of the president were to be filled prior to electing a National Assembly, the president of the Republic should be elected for a four year term directly by the voters. A president who stands in violation of the Constitution may be deprived of his office; proceedings to this effect should be initiated subject the affirmative vote of a two-thirds majority of the National Assembly; the act of the president should be judged by a Judicial Council composed of 12 representatives, and the Council should make a recommendation to the National Assembly.

26 November 1989: A popular referendum decided by a 50.1:49.9 percent ratio to hold presidential elections only after the National Assembly elections. The referendum had been initiated primarily by the parties rejecting the September agreement, i.e., the SZDSZ and the Federation of Young Democrats [FIDESZ].

1 March 1990: The president of the Republic should be elected directly by the voters, according to a constitutional amendment approved in the final days of a parliament that convened in 1985. They also changed the composition of the Judicial Council that has shrunk by then to have seven members only (the chairman of the Supreme Court would have acted as the Judicial Council's chairman and the National Assembly would have chosen three members each from among the members of the Supreme Court and the Constitutional Court), and should the Judicial Council find that a law has been violated, a national referendum should decide whether the president of the Republic should be deprived of his office.

29 April 1990: "The original status of the president of the Republic should be restored pursuant to the provisions

of Law No. 1 of 1946," the MDF and the SZDSZ agreed; i.e., the president should be elected by the National Assembly.

2 May 1990: Consistent with a pact between the MDF and the SZDSZ, Arpad Goncz was elected provisional president of the Republic.

7 May 1990: "I regard the protection of a free press as one of my important presidential functions," Arpad Goncz declared.

19 June 1990: The president of the Republic shall be elected by the National Assembly for a five-year term, according to a constitutional amendment based on the pact. The Constitutional Court may deprive the president from his office; related proceedings would be initiated on the basis of a two-thirds majority vote cast by the National Assembly.

29 July 1990: The national referendum called to decide whether the president of the Republic should nevertheless be elected directly by voters was declared invalid. Only 13.9 percent of the eligible voters appeared at the referendum sponsored primarily by the Hungarian Socialist Party [MSZP].

1 August 1990: Csaba Gombar became the president of the Hungarian Radio, Elemer Hankiss the president of the Hungarian Television. The new leaders were appointed by Arpad Goncz at the recommendation of prime minister Jozsef Antall, but Goncz was not invited to attend the formal installations of these officials and therefore a separate "event" was organized. It was attended by the president of the Republic.

3 August 1990: In the aftermath of the invalid public referendum, parliament elects Arpad Goncz to become president of the Republic.

26 October 1990: On the first day of the so-called taxi blockade that materialized as a result of a drastic increase in gasoline prices, president of the Republic Arpad Goncz—also the commander in chief of the Honved forces according to the Constitution—telephoned the commander of the Honved Forces instructing him not to deploy soldiers to maintain order.

12 February 1991: "I will be present at Visegrad," Arpad Goncz said relative to a debate on who should represent Hungary and how at the meeting of the "Visegrad-3."

3 April 1991: Arpad Goncz rejects the resignation of Kalman Lorincz, the commander of the Honved forces, which took place following an announcement by Minister of Defense Lajos Fur to the effect that it would be necessary to terminate the Honved command. After Arpad Goncz's decision Lajos Fur asked the Constitutional Court to render an interpretation as to who had what constitutional authority regarding the direction of the Honved forces.

5 July 1991: Jozsef Antall submits a proposal to Arpad Goncz concerning the appointment of Hungarian Radio

and Hungarian Television vice presidents (Gabor Banyai, Alajos Chrudinak, Istvan Petak, and Edit Kiraly, Endre T. Rozsa, and Janos Sedianszky, respectively). Goncz rejected the appointments a week later.

26 August 1991: Ferenc Kulin, the chairman of the National Assembly Committee on Culture, suggests that his committee seek a Constitutional Court opinion concerning the appointment of the vice presidents.

3 September 1991: MDF Representative Jozsef Debreczeni states in an article that with the president of the Republic-turned opposition politician an "alien body" has entered the organization of Hungarian public authority, or to use a different medical metaphor: Hungarian constitutionality has suffered a sprain, a shock."

6 September 1991: "I interpret the exercise of the appointment power of the president as one in which I do not examine the merits of government proposals for the appointment of leaders (ministers, state secretaries, etc.) of the state administration directly under the supervision of the prime minister, and sign appointment documents consistent with the appointment proposal. If, on the other hand, based on related political agreements or on various laws enacted after the system change, the organ in question does not have a state administrative character, and does not (or not fully) fall under the direction of the government, I intend to exercise my appointment power in a substantive fashion," Arpad Goncz wrote in a letter to the chairman of the Constitutional Court. In the latter case, "an appointment or dismissal can only take place on the basis of a consensus reached between the president of the Republic and the prime minister," according to the letter.

23 September 1991: "The president of the Republic must reject an appointment or refuse to approve an appointment if he notices the absence of conditions required by law. Aside from that, the rejection of an appointment or the refusal to approve an appointment is constitutional only if the president of the Republic has substantial grounds to conclude that making the proposed appointment would gravely disturb the democratic functioning of the state organization," the Constitutional Court states in its decision.

26 September 1991: A government communique states that the proposed appointment of vice presidents is going to be resubmitted in an unchanged form to the president of the Republic.

4 November 1991: Parliament adopts the Zetenyi-Takacs legislative proposal; the president of the Republic refuses to sign it into law, and refers it to the Constitutional Court.

4 December 1991: What is a "realistic time limit" within which the president of the Republic must act, Jozsef Antall inquired at the Constitutional Court, an inquiry he made as a matter of "supplementing the Court's previous decision," according to the communique.

30 January 1992: "The president of the Republic must render decisions under his appointment power within rational time limits," according to the opinion handed down by the Constitutional Court.

4 February 1992: "In regard to the president of the Republic, who would never bring shame upon the Hungarian Republic by virtue of his preparedness of course, and who would not make political mistakes, I still must say that he has not been dealt cards to do certain things," Foreign Ministry political State Secretary Tamas Katona told parliament. His statement was in response to a question raised by an MDF representative complaining about the president's meeting with the Maxwell [news-paper empire] heirs.

2 March 1992: Hungarian Radio Vice President Gabor Nahlik, and Hungarian Television Vice President Laszlo Csucs are sworn in; they were appointed by Arpad Goncz based on the prime minister's proposal. The new candidates were proposed by the prime minister after the previous candidates removed themselves from the race.

3 March 1992: The Constitutional Court opines that the Zetenyi-Takacs legislative proposal is unconstitutional as a whole as well as in its details.

6 May 1992: The National Assembly Committee on Culture declares Csaba Gombar to be "unfit" to serve as president of the Hungarian Radio. The Radio president expresses his views to the representatives but leaves the hearing room before being "heard." Thereafter Jozsef Antall recommends that Csaba Gombar be relieved of his duties.

19 May 1992: Arpad Goncz rejects Csaba Gombar's dismissal. "The proposal violates the freedom of the press, therefore, abiding by the proposal would gravely disturb the democratic functioning of the state organization," the president of the Republic explains.

Political Struggle Over Radio, TV Chiefs

92CH0595A Budapest HETI VILAGGAZDASAG
in Hungarian 16 May 92 pp 99-101

[Article by Ibolya Jakus: "Prime Minister vs. Gombar and Hankiss—Chaos as Usual"]

[Text] In the back alley behind the nation's political saloon, the final knockout punch has nearly been delivered to the directors of Hungarian Radio (MR) and Hungarian Television (MTV) who have fallen out of favor in government circles. At the same time, the submission of the draft of the Media Law was expected at the plenary session of parliament on Wednesday. Prime Minister Jozsef Antall has already initiated steps with the president of the Republic in order to relieve Csaba Gombar, director of Hungarian Radio, of his position, and one can forecast without taking undue risks that Elemer Hankiss, director of Hungarian Television, will suffer the same fate.

Not even two walk-outs in protest during a meeting of the Cultural Committee of parliament last Thursday could embarrass members of this committee who belong to the governing party. First, Csaba Gombar, the director of Hungarian Radio who had been summoned for a "review" of his competence, left abruptly after reading his opinion of the proceedings initiated against him by Prime Minister Jozsef Antall and his view of the prime minister's criticism directed at the Radio. Then, after a short time, the members of the committee from the political opposition walked out of the room, saying that they did not wish to assist in a procedure that is unfair to the director of Hungarian Radio and forces the committee to act in a servile manner. However, these events did not in the least deter the coalition members of the committee from acting as a voting machine; they decided unanimously that Csaba Gombar was incompetent. Even the "recalcitrant" behavior of the Radio director was of use to them: With it, they were able to include in their declaration of his incompetence statements not only showing their complete agreement with the prime minister's views in this matter, but also demonstrating their belief that Csaba Gombar had "evaded the laws in force" (i.e., Law No. LVII of 1990, as well as the House Rules of the parliament of the Hungarian Republic). In his letter to President Arpad Goncz—supposedly delivered to Gate No. 6 of parliament—which initiated the steps to relieve Csaba Gombar of his position, Jozsef Antall even found it possible to state that the Radio director, "with his unprecedented action, in violating Hungarian constitutional law and order, has displayed a type of conduct and has created a situation, both of which in themselves are acts seriously injurious to the law and which, in fact, make it unnecessary to repeat the objections brought up against him that were already described in detail earlier."

Opinion is divided on whether the walk-out of the Radio director from the hearing qualifies as a violation of the law. According to the letter of the law in force concerning appointments, the Cultural Committee has to examine the person involved after the prime minister's proposal to appoint or to discharge him or her. In Csaba Gombar's case, however, the order was undoubtedly reversed. According to analysts belonging to the governing party, however, a hearing by the committee before an announcement of suspension can be viewed as a courtesy, especially because Jozsef Antall's letter to the committee criticizing the Radio and its director, as they claim, "suggested" he be discharged. Thus, in their opinion, Csaba Gombar could hardly entertain a doubt about the purpose of the hearing. The question is, of course, to what extent suggestion can be viewed as a legal category.

Concerning the House Rules of parliament, they include a passage according to which "directors of administrative offices, bureaus, and institutions, as well as citizens, are obliged to submit data required by parliamentary committees, as well as to testify before them, supply

information, or make a statement." However, it is unclear how this rule could be applied to this case. As Csaba Gombar explained in his statement read in front of the committee, the Cultural Committee did not summon him about a routine matter in connection with the Radio—as he said, he would gladly have complied with that any time—but rather the committee cited him on the prime minister's request, with the express intent of examining his competence.

Still, by the way the events were shaped, one could gain the impression that the prime minister in fact only decided to initiate the Radio director's discharge after the Cultural Committee had declared him incompetent on the basis of that declaration and the Radio director's behavior before the committee. However, the fact that the prime minister wishes to use the opinion of the parliamentary committee which has a majority of coalition members to "justify" his actions, can hardly be called anything else than political hypocrisy. Everyone could have been, and was, certain of the outcome in advance. So much so that Ferenc Kulin, chair of the MDF [Hungarian Democratic Forum] committee, even had the nerve to state that he had come to the meeting with his position already established. It is totally incomprehensible why it would have been necessary for Csaba Gombar to sit through an "interrogation" which only promised humiliation for him.

Under such circumstances, it is something of a miracle that the Radio director answered the prime minister's accusations point by point, or rather interpreted them, "before the agenda." He related that in his opinion, the commotion about his incompetence is nothing other than the government's repeated attempts to interfere in matters concerning the Radio. In his opinion, the prime minister's reference to the inadequacy of the rules and regulations and of the organizational changes is only an excuse. The real reasons for the prime minister's dissatisfaction—as, he alleged, representatives of the government repeatedly made explicit to him—were the individuals appointed to be directors of the departments created according to the new organizational structure, or rather the fact that in these appointments he had not asked for the government's opinion. In conclusion, the Radio director did not leave any doubts concerning the future when he declared: "I do not intend to discuss such matters with any political power group in the future either."

Incidentally, Jozsef Antall's obsession that Radio and Television belong under the government's supervision, and that as a consequence their rules and regulations must be approved by the government, probably stems from a questionable legal source; namely, the prime minister professes his opinion with reference to a 1974 cabinet decision that was taken out of mothballs this time last year. However, in the political opposition's legal circles the opinion is that this decision violates both the article of the Constitution on the supervision of public media and the appointment of their directors, and legislation on the applicability of legal regulations which

states that matters in connection with the press can only be regulated by law. Alajos Dornbach finally turned to the Constitutional Court with this suggestion at the end of last week.

After such antecedents it is little wonder that the Director of Television, Elemer Hankiss, is speculating whether he should bother to go to the meeting of the Cultural Committee on 21 May when his competence will be attacked. Incidentally, the prime minister, who manifests uncommon activity and even more uncommon small-mindedness in this matter, initiated the examination of Hankiss's competence much earlier than that of Gombar. The immediate cause at that time was that Elemer Hankiss initiated a disciplinary procedure against Gabor Nahlik, the vice director who had been appointed during his absence. And not without reason: On his first day on the job, Nahlik ordered measures—as it turned out, by the way, founded on false information—such as "discontinuing the unrealistically high parallel costs of the news program 'Balance,' which had been created in addition to 'The Week' and 'News-reel,'" stopping the production of new programs, prohibiting the payment of advances, and rehiring in a couple-like fashion employees who had previously been fired because of incompetence. Most recently, however, the prime minister has raised objections to the rules and regulations in the case of Television, as well. He especially disapproved of the fact that the vice director—as in the case of Hungarian Radio—was not given the power envisioned for him by the prime minister, which would practically have raised him to the level of the director.

At the moment, the president of the Republic is faced with the fairly disagreeable opportunity of granting or denying the discharges. According to certain reports, Arpad Goncz will stand by his earlier promise and will not agree to the discharges until the Media Law is passed and new candidates are confirmed by a consensus. According to other opinions, Arpad Goncz will only have a chance to play for a bit of time, seeing that Jozsef Antall has asked for the Radio director's immediate discharge, adding for good measure that in his opinion "the present situation does not make it possible to wait for a new director to be nominated, or for the Media Law to be passed; it requires immediate action."

At any rate, well-informed persons believe that new directors for Radio as well as for Television are intensively "being sought," and an informal coordination between the parties has already taken place. Supposedly there have been "serious" candidates, but they did not toe the line. This only bolsters the foreboding that whether Gombar and Hankiss are discharged or whether they resign by themselves—which according to the promises they gave at the time of their appointment will be when the Media Law is accepted—it will not be easy to find successors for them. Nor is the prospect very encouraging that—as many assert—in return for Gombar's and Hankiss's scalp the government is prepared to

make concessions in a few disputed questions concerning the Media Law. Such a promise by the governing parties was indeed uttered—albeit in another context—when they said that they were prepared to negotiate about everything except the inauguration and discharge of the directors according to the law on appointments.

Political, Legal Aspects of Radio Chief Dismissal

92CH0639A Budapest HETI VILAGGAZDASAG
in Hungarian 30 May 92 pp 7-9

[Article by Gabor Juhasz: "The Goncz Affair; A Goal for Spring"]

[Text] The ruling parties intend to pass a form of a parliamentary resolution calling on President Arpad Goncz "to exercise his powers consistent with the Constitution of the Hungarian Republic" at all times, because, in their view, the head of state's action in the Gombar case "could endanger parliamentary democracy." By reminding the president in the unusual form of a political statement, the ruling parties are trying to circumvent the constitutional process of holding to account the president, which is not promising to the ruling parties because of the way power is distributed in parliament.

"The legal situation that evolved is critical," Jozsef Antall remarked Sunday evening regarding Arpad Goncz's decision not to relieve Hungarian Radio President Csaba Gombar of his duties, despite a proposal to this effect advanced by the prime minister. As usual, the prime minister spoke in rather moderate terms, but it is possible that his moderation was only a manifestation of the well-known practice of assigning various roles to various people. Also, in this instance the judgment of the Hungarian Democratic Forum [MDF] was not pronounced by the party chairman and prime minister—an old acquaintance and friend of Arpad Goncz—but by others. For example, Jozsef Debreczeni, regarded as one of the liberals in the party, simply declared last Saturday that the President Arpad Goncz could be viewed as "politically dead" unless parliament openly condemned him.

By Monday afternoon it became clear that Jozsef Debreczeni's remark was only a kind of preparatory maneuver. The faction leaders of the ruling parties (Tibor Fuzessy, Imre Konya, and Gyula Pasztor) submitted a proposal to the effect that parliament call upon the president of the Republic in a sense of parliament resolution to abide by constitutional requirements. The House voted 188-109 with 13 abstentions to place the matter on the agenda and shortly thereafter it agreed—albeit with a smaller margin of affirmative votes—to handle the issue urgently. Accordingly, the coalition parties have increased the pressure on the president (who has not changed his decision even in response to demands by the coalition parties last week). But the sense of the National Assembly resolution was "softer" than one could have expected based on preliminary

statements. For example, as part of the legal arguments, the resolution only hints that Arpad Goncz has violated the Constitution; this suggests that the prime minister had more to do with the statement than the three faction leaders who introduced it.

In the background of this ruling party tactic there obviously looms a consideration that the ruling parties do not intend to enter into an overt constitutional confrontation with Arpad Goncz, despite the initial passionate statements. Without opposition support, the ruling parties do not even have a chance for parliament to declare that the president's action is illegal, let alone to remove the president from office. The path chosen by the coalition parties circumvents constitutional provisions by which the president could be held accountable, although the process is not in clear conflict with the Constitution. Proceedings initiated against the president of the Republic are subject to the affirmative vote of a two-thirds majority of parliament, i.e., had the ruling parties advanced such a proposal, it could not have carried from the outset, even though the ruling parties would obviously have had sufficient votes to muster the support of one-fifth of parliament for the initial test of strength. But not even the affirmative vote of a two-thirds majority of parliament would necessarily "incriminate" the president, (it would only start the proceedings and suspend the president from office). It is the Constitutional Court's function to judge the actions of the president, and only this body can strip the president from his office. But even if the Constitutional Court finds that the president stands in violation of the Constitution or of laws, such findings do not automatically remove the president from office.

For this reason the coalition chose to take a detour: It wants a simple majority of parliament to adopt a sense of the National Assembly resolution. On the other hand, such a resolution does not resolve anything in the legal sense; such resolutions have no direct consequences from the standpoint of constitutional law. Although rather important, they remain mere political declarations. On the other hand, the Constitution clearly states that in the legal sense, the president cannot be viewed as having violated the Constitution (or laws) until the Constitutional Court actually determines that he has. Based on the fundamental laws of the country, the authority of the freely elected parliament in this regard is just as limited as it is with respect to the dissolution of a political party (HETI VILAGGAZDASAG 9 May 1990).

The ruling parties may try to force the president to resign by exercising political pressure; one must count on this possibility after hearing statements by coalition party representatives last week to the effect that Arpad Goncz "must assume full responsibility if he insists on continuing to maintain his position." This of course would be a rather comfortable solution from the standpoint of the ruling parties. Nevertheless, it is unlikely that Arpad Goncz—who continues to be most popular according to public opinion polls—could be shaken as a result of a possible warning statement issued by the House of

Representatives. The ruling coalition must not count on the president reversing himself, particularly as long as Arpad Goncz sees an essentially united opposition behind himself—as the case is at press time.

Questions still exist, of course, whether Arpad Goncz has violated the Constitution when he refused to sign the document dismissing Gombar. Did the president of the Hungarian Republic exercise his constitutional authority, or did the prime minister's holder of the seal rebel, contrary to law? The ruling parties believe that in this instance the president having violated the Constitution is a matter of fact; based on the Constitutional Court's decision of last September, the president should not have refused to sign the document because "an appointment, or the refusal to approve an appointment is unconstitutional only if the president of Republic has substantial ground to conclude that giving effect to a proposed appointment would gravely disturb the democratic functioning of the state organization." Even though this language suggests that the president has a certain discretionary authority regarding appointees, the proposed statement indicates that the ruling parties believe that such discretionary authority is to be exercised by parliament "in exercising legislative oversight regarding the functioning of the government." It is equally true that on Monday evening the prime minister had submitted additional, yet undisclosed, questions to the Constitutional Court regarding this case.

Accordingly, the ruling party majority called upon the parliament to act as an arbitrator, it wants parliament to declare that the "prime minister's proposal does not threaten the freedom of the press, therefore, the reference to a disturbance in the democratic functioning of the state organization" in Arpad Goncz' letter refusing to dismiss Gombar "lacks any foundation." To the contrary: The prime minister "would have failed to perform his constitutional duty, had he (...) failed to propose an immediate dismissal," and the head of state would have acted in a manner consistent with the Constitution had he relieved Csaba Gombar of his duties. This, of course, would not constitute a legally valid finding to the effect that the Constitution has been violated; besides, the president could be held accountable in a political sense by parliament.

In spite of parliamentary statements, insofar as the constitutional situation is concerned, it seems that certain justices of the Constitutional Court (Geza Kilenyi, Peter Schmidt, and Imre Voros) turned out to be correct when they registered dissent regarding the Constitutional Court decision of last September. In their view, an interpretation of the Constitution by itself does not produce results in revealing the president's scope of authority, "from the standpoint of constitutional law, legislation alone can produce a solution free of reservations." However, this is not within the authority of the Constitutional Court. It should be obvious of course that the dissenting justices did not have in mind a sense of parliament resolution, but a constitutional amendment; this is one reason why the Goncz affair is not going to be

concluded as a result of a statement by parliament or by a new response from the Constitutional Court.

Controversy Over Regional Prefects Discussed

92CH0639F Budapest MAGYAR NEMZET (Economic supplement) in Hungarian 28 May 92 p III

[Interview with Dr. Peter Szentgyorgyvolgyi, Budapest regional prefect, by Zs. P.; place and date not given: "The Government Decree Does Not Create Chaos in Budapest"]

[Text] Dr. Peter Szentgyorgyvolgyi, the Republic's regional prefect for Budapest, wrote to all mayors of Budapest last March. With reference to the 1996 Expo, Szentgyorgyvolgyi expressed his intent to cooperate and asked that each mayors' office designate a person to act as liaison with his office. A decree governing certain functions of regional prefects was promulgated in April; based on this the prefect's may request information and documents, and may obtain information on the spot regarding individual cases. They may also convene coordinating conferences and may take part in the implementation of government programs and in regional coordinating efforts related to the interior minister's regional programs to develop settlements.

Much criticism has been leveled against this government decree in recent weeks, and indirectly against regional prefects as well. It appears that some districts have regarded Dr. Peter Szentgyorgyvolgyi's letter that he sent in March as a precursor of this decree. Some objected to the further strengthening of the positions of regional prefects, others attributed the measure to government efforts to centralize. But the mayor of Budapest said that the new authority of regional prefects is closely related to the organizing of the Expo.

It Was an Offer

[Zs. P.] That fact is that the activities of regional prefects have once again come into the spotlight in recent weeks. The issue of who has a feeling of having competence regarding the world exposition—including regional prefects—has been raised recently by several local governments. The statements provided a hint: Not everyone approves of the fact that now the regional prefect can also become involved in issues related to the organizing of the Expo. On the other hand, not much has been said about Peter Szentgyorgyvolgyi actually taking an active part in organizing the world exposition.

[Szentgyorgyvolgyi] I do not like to discuss this matter, because I am not involved with the Expo. As a regional prefect I have my own jurisdiction and my own functions. It is possible, of course, that this jurisdiction and these functions touch upon the Expo at a certain level. And that letter to the various districts, of which several people felt that it served the purpose of advancing myself, had actually this to say: "I offer cooperation on part of my office with respect to area planning in Budapest and in conjunction with preparing general and

detailed area plans." Anyone who interprets this statement to mean that the regional prefect has some broad authority, or that he wants to superimpose himself on local governments, is malicious, to put it mildly. The offer may come into play primarily in the preparation of general and detailed area plans because this is an entirely new task insofar as local governments are concerned. In olden days, in the days of councils, everything could be accomplished by making statements that conveyed power. I offered cooperation in the interest of Budapest. I did not mention mandatory cooperation.

[Zs. P.] In other words, you did not suggest that you would become involved in disputes concerning where to build a given road, or whether the Lagymenyos Bridge or the Galvani Street Bridge should be built first.

[Szentgyorgyvolgyi] Not at all. But the way the opposition interprets provisions of the government decree concerning the Expo is also odd. I read in the newspapers that some believe that bipolar Expo preparations (this should be understood to mean the Program Office and the Budapest Expo Office) could be disturbed, i.e., could experience chaos in Budapest, if the regional prefect entered the picture as a third pole. Let me state at the outset that no two poles exist with respect to organizing the Expo. The law concerning the Expo, as well as the government decree promulgated on the basis of that law, clearly states that the government is the organizer of this event, and that the government performs this function through the World Exposition Program Office. But countless functions in the framework of realizing and organizing the Expo must be performed by state administrative organs. The local government law, on the other hand, designates the streamlining of state administrative activities as a function of the regional prefects. This should, by no means create chaos. In my view, the regional prefect cannot disturb the preparation of the Expo if he performs the duty to coordinate, as prescribed by the local government law.

State Administrative Functions

[Zs. P.] Except for the fact that you would not only play a coordinating role, but also a decisionmaking role as part of organizing the Expo.

[Szentgyorgyvolgyi] Yes, but not specifically in regard to organizing the Expo, but in the course of performing state administrative functions related to the Expo. These functions include the exercise of eminent domain, a matter that must be dealt with by the regional prefect even in the first instance. The kind of expropriation that is involved—whether it relates to the Expo or to any other state investment project—makes no difference whatsoever. But a similar situation exists regarding all other proceedings, such as proceedings by the building authorities, in which cases come before me in the second instance. We are dealing here with issues, which according to the world exposition law, must be resolved in the first instance by the chief clerk of Budapest. Accordingly, I would not become part of realizing the

Expo as a new link in the chain or as a new step, I am not acquiring new authority as a result of this, but instead, my work is related to the organizing of the world exposition on the basis of all the functions that have been assigned to me thus far.

[Zs. P.] But then, to what do you attribute the resistance you experience?

[Szentgyorgyvolgyi] I do not have the faintest idea. The 1996 Expo is going to be an entrepreneurs' world exposition, in which everyone is going to be allowed to do his own thing. We must accept the idea that others will also be involved in a thousand ways with this event, moreover, not only in their capacity as officials performing the functions of authorities.

[Zs. P.] Is it conceivable that you have become involved in business affairs and control those by using your official authority?

[Szentgyorgyvolgyi] No, the regional prefect has no authority with respect to business affairs. On the other hand, should a situation occur in which a local government entered into an illegal contract which had a major impact—to mention an extreme example: selling the office of the mayor which is part of the basic property of a local government—I should be commenting on a such a contract. In other words, I would be involved in business issues only indirectly, at best.

[Zs. P.] Have your worries increased as a result of the Expo?

[Szentgyorgyvolgyi] I would say work, rather than worries. It should be self-evident that the number of eminent domain cases are going to increase shortly, and that more official proceedings are going to take place.

[Zs. P.] During the past year and a half you consistently objected to resolutions brought by the Budapest and district local governments. Haven't you thought of offering your help to the decisionmakers for the sake of the Expo, by reconciling your views before they approve certain resolutions?

Expo Decisions—Priority Handling

[Szentgyorgyvolgyi] If all the members of the Budapest General Assembly were my friends, I would still have to comment regarding the illegality of action if some resolution they brought or decree they promulgated violated a law or some other legal provision. But it is not the General Assembly that is going to have more work as a result of the Expo, because in that regard, the world exposition law delegates the authority to perform the functions of authorities to the chief clerk. Situations could arise in which some people seek legal recourse in the second instance from me against the chief clerk's decisions. But such decisions again do not depend on good relations, but on who is correct, because even the

regional prefect's decisions may be challenged in court. Accordingly, it is in my elementary interest too, to make well-founded decisions.

One may rule out the possibility of advance reconciliation, regardless of who the chief clerk of Budapest is. It is not customary to do such a thing. Resolutions must be brought in a manner consistent with legal provisions, and every decision-maker must assume responsibility for doing so.

[Zs. P.] If that's the case, there may arise a need to review resolutions related to the Expo on a priority basis because in the next four years we will witness a forced march in which decisions may have to be followed by immediate implementation. In other words, situations could arise in which the prolonged review of a given decision would cause irreparable harm, things that could not be remedied.

[Szentgyorgyvölgyi] We will review all Expo decisions on a priority basis. This, incidentally is also required from us by law.

Tightening of Proposed Media Rules Discussed

92CH0639C Budapest HETI VILAGGAZDASAG
in Hungarian 30 May 92 p 15

[Unattributed report: "The Tightening of Media Rules"]

[Text] As compared to previous plans the proposed media law, submitted with a request for urgent handling by the government last Monday, would increase fifteen-fold the amount of damages payable for violating personal rights. Thus, courts could fine violators up to a maximum of 15 million forints, instead of the previously stipulated 1 million forints, if parliament adopts the proposal. Increasing the upper limit of damages could place some newspaper publishers into difficult situations, particularly if several related damage claims were filed. This is particularly true because, in addition to increased damages, "aggrieved persons" would have a right to sue under provisions of the Civil Code of Laws for monetary damages, and in addition to damages awarded by courts for nonmonetary damages.

At the same time the government is proposing administrative restrictions to prevent the evolution of large newspaper enterprises and to provide a "reducing diet" for those which have already come about. From among previously planned measures, these proposed rules are the harshest ones yet to prevent expansion. Based on these rules any newspaper owner could have majority control over no more than one national and one regional daily newspaper. (Newspapers with a 90-percent circulation within a given region qualify as regional newspapers. Budapest and the three neighboring counties respectively qualify as individual newspaper regions.) "Excess newspapers" would have to be sold within one year from the effective date of the new media law. A significant reorganization of the ownership of the Hungarian press may be expected in the near future because

the proposal also provides for the limitation of minority interests in newspapers: In addition to majority control over newspapers by individual owners, the proposal would permit direct or indirect minority ownership not exceeding 30 percent in only one national and one regional newspaper. The proposal is remarkably strict because restrictions justified with respect to political publications are also extended to automatically cover all periodicals and may force important publishers (and their partial owners) to begin exchanging newspapers.

The proposal continues to include a provision whose wording has previously been regarded as ambiguous, according to which "the press may report on the investigative phases" of criminal proceedings "only with the advance approval of the head of the investigative organ" (HETI VILAGGAZDASAG 7 March 1992). Although the government underscores that "the press is free, and that it must not be subjected to censorship," it continues to insist that during the investigative phase legitimate news reports require the "advance concurrence" of the police, irrespective of the source of information.

Military Industry Office Reorganized

92CH0639D Budapest HETI VILAGGAZDASAG
in Hungarian 30 May 92 p 17

[Unattributed report: "Military Industry in Safe Hands"]

[Text] Minister Without Portfolio Erno Pungor will be supervising the Military Industry Office as of 22 May. In addition to naming the minister as the person having supervisory authority, the new government decree replacing the brief 14-line determination that established the Military Industry Office last December also states that the office participates in: the preparation of Hungarian arms development plans, disposes over state funds earmarked for military technology research and development, and comments on export and import license applications involving weapons. A passage in the decree that authorizes the chairman of the office to "advise organizations authorized to manage property that remains under state ownership, and comment in regard to ownership decisions related to military industry units, as well as with respect to the definition and operation of productive capacities within the military industry" is regarded by observers as a consequence of the scandal that has evolved with respect to the Pest Area Machine Works (HETI VILAGGAZDASAG 21 March 1992). This wording also suggests that the office may do everything it can to interpret the term "military industry" as broadly as possible and to thus retain as many as possible enterprises under long-term state ownership.

Trade With Independent Republics Assessed

92CH0603A Budapest HETI VILAGGAZDASAG
in Hungarian 9 May 92 pp 109-110

[Article by Bela Weyer: "Their Successor Is Before Us"]

[Text] *Trade between Hungary and the former Soviet Union—and later with its successor states—can perhaps be described with simply the following words: "It is at rock bottom." From the aspect of volume, bilateral shipments have dwindled to half of that of the previous period.*

Even the average reader of newspapers has been able to learn—if only from the memorable 1990 "airport agreement"—that Hungarian-Soviet relations, which at one time were considered everlasting and indissoluble, are beset by serious problems. A debt of hundreds of millions of rubles had accumulated by that time, which the Nemeth administration was able to convert, in the last minute of the talks—and of its term in office—to dollars by a factor of .92. More precisely, it was able to have [this debt] acknowledged at this ratio, for although it had acquired the signatures, the same cannot be said of the money which is still listed in the "receivables" column.

Last year was characterized by the change from socialism to capitalism—or, in technical terms, from ruble accounts to convertible accounts. Although a turnover of 400 million rubles was still registered both in exports and imports in the first quarter, the "big transactions" were made in dollars. Last year's 1.7 billion dollars' worth of Soviet shipments were matched by Hungarian imports worth 1.2 billion, and the way Lajos Berenyi, Ministry of International Economic Relations (NGKM) deputy state secretary, sees it, the fact that the Soviet disintegration, the chaos, the insolvency, and the decrees that change daily have not yet lead to any significant decline, is due in part to the fact that the building of direct relations with the republics had already started earlier.

The new conditions—the abolishment of contingents, free foreign exchange accounts, corporate pricing and, foremost, a mandatory adherence to GATT requirements—were defined in the trade agreements signed with the successor states that joined the Commonwealth of Independent States (CIS). (The latter was needed because CIS member states are not automatically GATT members.) The indicative lists, which according to Lajos Berenyi, involve several misunderstandings are connected, though not in every case, to these agreements. For the fact that an agreement has been made with a successor state—in the case of Russia, it was on exports of 1.5 billion dollars and imports of 1.5 billion—does not mean much in itself. The indicative list's inclusion is only a possibility: It is necessary because of the central distribution of goods that still exists in the successor states because of purchases by the state. However, it still does not provide any guarantee that potential buyers do indeed have the money for the Hungarian shipments.

The issue of payments is a difficult one at that. To continue with Russia's example: On the one hand, an agreement on 1.5 and 1.5 billion dollars does exist for the year 1992, including the [Russian] partner's obligation to use all the money received for Hungarian imports for buying goods in Hungary, on the other hand, there is Yeltsin's decree that requires Russian firms to "deliver"

[to the state] half of their dollar revenues. Hungarian-Russian government-level talks resulted in a situation in which the account handled by the Commercial Bank, Ltd., in accordance with interbank agreements—the one into which Hungarian importers deposit purchase prices—has two subaccounts that show what is due the Russian partner company and what is due the Russian state. If the Russian firm cannot produce a contract for its own share within 30 days, the state will mercilessly rake it in.

Lajos Berenyi's reply to the question whether the transactions that are taking place under such difficult conditions have hit bottom displayed a guarded optimism: "We might not go any lower," he said, adding immediately, "In 1992 we cannot count at all on any spectacular improvement." For, although it is true that there are many promising initiatives—e.g., the agreement with the Tatar Republic on oil shipments in which the Tatars committed themselves to buying Hungarian goods in the amount equivalent to the price of 1 million tons of crude oil—there is no mention of the CIS member states having any money for Hungarian finished goods, which are incidentally in great demand; primarily buses, pharmaceutical products, and food products. Hardly any of the involved Hungarian companies could today ship for credit, as Western firms do (mostly with the "backing" of government guarantees, of course).

The situation is further complicated by the [lack of] "willingness" of independent successor states to come forth with decrees and regulations, which in itself, makes orientation—not to mention business transactions—difficult. From this aspect, it is pure luck that the fate of the ex-Soviet [as published] debt, which has in the meantime grown to 2 billion rubles—and, which although somewhat offset by Hungary's debt, still amounts to 1.6 to 1.7 billion when converted to dollars—has not been written off; and that Russia after having agreed with its onetime "soyuz associates" on the details of accounting and share has taken over its "management." According to Berenyi's information given to HETI VILAGGAZDASAG, what the Hungarian partner would like is to have repayment started this year and ended within three years. Cash payments would be preferred, of course, but it would also be acceptable if Hungary could acquire equivalent amounts of needed goods, primarily oil, gas, and raw materials.

As far as Hungary is concerned, the future of trade relations depends on the ingenuity and initiative of companies and private entrepreneurs. According to Lajos Berenyi a plus, which can at least in part counterbalance the bigger capital power and financial perseverance of western competitors, may be provided by the establishment of joint ventures, familiar with situations at various local auctions of goods (called exchanges), and direct and personal relations. From this aspect, Berenyi thinks that the transactions of Samson's owner Andras Balazs provides a good example: He "bartered" foodstuff for coal and wood, which he then was able to use for other transactions. The NGKM's prognosis on the future

of CIS relations is this: "Although it would be an illusion to expect any improvement in the short term, the greatest mistake would be to write off this market."

Strength of Foreign Trade Bank Analyzed

92CH0624A Budapest TOZSDE KURIR in Hungarian
30 Apr 92 pp 1, 6

[Article by (mb): "On Solid Foundations; Is the Foreign Trade Bank Going To Be First?"]

[Text] The year 1991 will be remembered as an important year in the annals of the Hungarian Foreign Trade Bank [MKB]: It is presumed that the bank will be successfully privatized in the course of 1992. Thus the MKB has the best chance of winning the title of being the first large bank to be privatized. Personnel changes affecting officers approved at the MKB's 23 April general meeting—appointing Zsigmond Gabor Erdely as chairman of the board and Arpad Bartha as president—are consistent with the wishes of the State Property Agency [AVU] to centralize the performance of privatization under the authority of one person. The MKB would like to find a strongly capitalized, highly rated, professional, strategic investor who endeavors to develop a relationship of equality with the bank, accepts the bank's traditions, as well as the idea that the MKB is endeavoring to play an increased role in the region.

What does the MKB have to offer to its future partner? A developmental opportunity that rests on solid foundations, prestige both in Hungary and abroad, and a high-quality clientele of a considerable size. The bank further strengthened its position in 1991: Its final balance, capitalization, and profits increased, and its profitability indexes improved.

Last year's cautionary measures characteristic of MKB operations manifested themselves in more stringent financing conditions because the situation of entrepreneurs has become more uncertain as a result of a more risk-filled economic environment. In its lending practices the bank has greatly relied on its abundant foreign exchange resources both in Hungary and abroad, in the form of exchanging deposits and of the direct outplacement of foreign exchange. The weight of export prefunding among MKB's activities has increased as expected, and the import financing business based on lines of credit established at international banks has also developed. The total amount of the MKB's outplacements has remained at the previous year's level. The bank's forint resources have shifted in favor of time deposits, which provided a more even coverage for the activities. In 1991 the number of clients holding accounts at the bank increased by almost 40 percent. The expansion was primarily due to new entrepreneurial ventures that evolved as a result of the [organizational] transformation of previous clients.

Relative to international banking transactions it is worth mentioning the fact that the bank's market share of

documentary transactions has dropped from the previous high level; nevertheless, the fact that the bank continues to be involved in 15 percent of all Hungarian banking transactions related to Hungarian exports and imports continues to ensure a definitive role for the bank. The fact that last year the bank administered and financed—both as a member of a credit consortium and on its own—imported commodity transactions traded at the exchange (oil, grains) should be underscored.

More than 50 percent of the 1991 profits resulting from special foreign trade transactions were still based on East European trade. Nevertheless, as a result of discontinuing settlements in rubles, the development of certain new forms of cooperation in the region began in 1991. The organizing and management of barter transactions by enterprises, and endeavors to reach new barter agreements aiming for an increase in the weight of barter transactions subject to settlement in dollars, have become more significant. An oil barter trading structure with Russian enterprises is in the process of being established.

The bank developed three new consumer banking products in 1991: Cash advances may be charged to VISA or Eurocards at any office of the bank; four offices offer safe deposit boxes; and the bank has begun to manage security deposits. The MKB manages 40,000 foreign exchange accounts today, two-thirds of which belong to private persons in Hungary. Accordingly, the high amount of foreign exchange required to open a foreign exchange account has not deterred depositors, and the fact that these deposits have been rather stable has been encouraging. The bank has retained its leading role insofar as international credit cards are concerned; more than 4,000 VISA cards have been issued as of the end of last year.

The bank's 1991 investment activities were characterized by streamlining its portfolio and an endeavor to comply with legal requirements. All this materialized in the rearrangement of several strategic interests under holding corporations and in the sale of certain interests. (In eight instances the bank sold its share of interest for 250 million forints each, and reduced its share of interest by 124 million forints in six instances.) At the same time, in 10 individual instances the bank made new investments totaling 10 billion forints. All in all, directly or indirectly, the number of investments financed by the bank has dropped from last year's 82 to 75. Meanwhile, however, the total value of the bank's investments has increased by 1 billion forints as a result of concentrating investments in strategic fields; this, however, is not reflected in the MKB's financial statement because the proportion of direct investments has decreased.

Speaking of this year's business policies Erdely said that the MKB was counting on moderate growth. The MKB regards the preservation of liquidity as particularly important, and it is seeking maximum security in the course of transacting business. The MKB is going to further expand its network (the opening of two or three

offices in Budapest and a few in the countryside may be expected); in addition, new offices will be established abroad.

As originally planned, the general meeting decided to pay a 13-percent dividend on Series A stock, and a 14-percent dividend on Series B preferred stock.

The bylaws have been changed in several respects, as proposed by the AVU. Thus, for example, the board of directors is entitled to increase the MKB's capital only once each year and only to the extent of 25 percent; rules

applicable to the board of directors and the supervisory committee are subject to approval at the general meeting (Lajos Nagy, representing the state, has become the chairman of the supervisory committee); the chairman of the supervisory committee, or a member designated by the chairman, must represent the supervisory committee at board of directors' meetings; the authority of the employer over the president must be exercised exclusively by the supervisory committee, etc. Consistent with the AVU's stated intent, the changes are supposed to ensure the state's continued influence via the supervisory committee.

Table 1: The 1991 Financial Statement of the Hungarian Foreign Trade Bank, Inc. (in millions of forints)

Assets		Liabilities	
Cash on hand, demand deposits	3,347	Basic capital	7,155
Hungarian National Bank deposits	7,278	Reserves and other funds	18,816
Medium-term outplacements	107,895	Medium-term borrowing	93,206
Short-term outplacements	85,717	Long-term deposits	884
Bonds and other securities	3,507	Short-term deposits	19,236
Stocks, interests	3,249	Short-term deposits	80,131
Fixed assets	3,981	Other indebtedness and passive accounts	12,421
Other active assets and active accounts	19,965	Profits	3,090
Total:	234,939	Total:	234,939

Table 2: Capital Correspondence (in millions of forints)

	1990	1991
Guarantee fund	14,196.1	14,720.1
—Part of general reserves to be disregarded ¹	1,737.2	1,943.0
—Part of general reserves to be disregarded ²	—	2,078.1
—Financial institutional investments	1,103.0	1,744.9
—Unaccumulated targeted reserves	6,459.7	3,772.3
Adjusted guarantee fund ¹	4,896.2	7,259.9
Adjusted guarantee fund ²	—	7,124.8
Targeted risk reserves	4,815.3	10,580.5
Necessary targeted reserves	11,275.0	14,352.8
Unaccumulated targeted reserves	6,459.7	3,772.3
Main balance	229,987.3	234,938.5
Guarantees and sureties provided	26,888.8	20,513.4
Weighted main balance ¹	112,523.7	95,908.3
Weighted main balance ²	—	85,098.7
Adjusted basic capital supply as part of the weighted main balance ¹ (percentage)	3.10	6.32
Capital correspondence ¹ (percentage)	4.35	7.57
Capital correspondence ² (percentage)	—	8.37

¹ Not including mortgages.

² Including mortgages.

Table 3: Profit Statement (in millions of forints)

Expenses		Income	
Interest paid	17,784	Interest received	24,938
Various commission payments	4,299	Various commissions earned	3,647
Other investments in business activities	2,912	Other business income	7,376
Maintenance and operations	2,376		
Profit on business transactions	8,590		
Less targeted reserve accumulation	5,500		
Profits	3,090		

Table 4: Profitability Indexes (in percentages)

	1987	1988	1989	1990	1991
Profits per share of stock	72.0	77.2	115.0	125.1	129.3
Profit on business transactions as a proportion of basic capital	72.0	77.2	114.8	118.7	120.0
Profit on business transactions as a proportion of the bank's capital	57.7	65.9	87.3	75.2	55.9
Profits as a proportion of assets	2.52	3.23	3.66	3.68	3.66

Table 5: Profit on Business Transactions per Share of Stock (in percentages)

1987	1988	1989	1990	1991
75	80	115	125	130

First Lawsuit Related to Stock Exchange Filed

92CH0624B Budapest TOZSDE KURIR in Hungarian
30 Apr 92 p 7

[Article by Zsolt Rozsa: "The Suit"]

[Text] The first trial involving the Hungarian stock exchange opened on 22 April 1992 at the Budapest Central District Court, Judge Dr. Zsuzsanna Ronay presiding. The trial date has already been postponed once. [The facts of the case are as follows:] In April 1991 private investor Dr. Ervin Szucs (plaintiff) instructed Co-Nexus, Inc., (defendant) to perform two transactions (one for an option to buy and another for an immediate purchase—both involving Dunaholding stock). Plaintiff complained that defendant's broker failed to even attempt to buy an option, and that the broker would have been able to at least partially perform on the immediate buy order within price limits specified by the plaintiff. Defendant claims that he failed to consummate the option to buy order because he felt that such an order was unrealistic. On the other hand, he had no opportunity to obtain a firm commitment from sellers regarding the immediate buy order.

Plaintiff demands that defendant indemnify him for the loss and pay interest on the amount of compensation due. Defendant asserts that the claim is unfounded and requests that plaintiff's demand be rejected.

Defense witness Dr. Andras Laszlo was first to testify. Laszlo said that the so-called Fornax List, submitted by plaintiff as proof of defendant's failure to make an offer for an option to buy, could not be regarded as official, accurate, or comprehensive. The list is not an official publication of the stock exchange; it is prepared by Fornax, Ltd. It is not possible to accurately record all verbal offers made on the floor of the stock exchange. The list may be regarded as reliable only from the standpoint of actually completed transactions.

Plaintiff's attorney called attention to the fact that in the course of proceedings before the ethics committee of the stock exchange, defendant has acknowledged the authenticity of the Fornax List. Andras Laszlo countered this claim by saying that indications of filing a civil suit already existed when the ethics committee conducted its proceedings.

The witness then presented the original agreement and pointed out that there was no valid agreement between

his firm and the plaintiff because the consignor had not signed the agreement. On the other hand, documents filed with the court include an agreement signed by both parties. Laszlo asserted that the agreement submitted to the ethics committee had not been signed by the consignor either. Laszlo further asserted that based on the agreement, Co-Nexus has been unable to determine whether the agreement had been reached with a private person or a legal entity, because an opportunity for anonymity existed to protect the client (e.g. by designating clients by numbers). The agreement also includes references to Appendixes 1, 2, and 3, and for this reason Laszlo believes that plaintiff's claims that he was unfamiliar with the rules of business were unfounded (defendant submitted a copy of the rules to the court; these were attached to the documents). Plaintiff Ervin Szucs said that this was the first time ever that he had seen such documents. (The latter issue arose in court because plaintiff's petition asserted that the agreement had been a consignment agreement. According to the Civil Code of Laws, a private person consignor is entitled to the advantages gained in a sales transaction consummated under more favorable conditions, and any agreement to the contrary is null and void. (The wording used in the Co-Nexus contract provides for a 50-50 split of the advantage gained.—Ed.) Laszlo asserted that plaintiff could prove that an agreement like this actually existed by presenting his tax returns. In conclusion Laszlo declared that his firm was interested in doing business because this was the only way the firm was able to generate income. Paid-in commissions are reimbursed if no trading takes place. They have done so in this instance, and thus defendant is unable to understand why plaintiff is seeking the repayment of the 5-percent consignment fee. (Plaintiff subsequently withdrew this request.)

Karoly Berencsi, an internationally recognized expert on stock exchanges, was second to testify. He claimed competence only insofar as theoretical issues were concerned. Berencsi said that in the framework of consignment agreements an opportunity must be provided to consignors to continuously control the transactions. At the same time, only completed transactions can be verifiably and reliably controlled, even in international practice. Making offers and recording such offers (entering offers into a computer) are the functions of brokers; stock exchanges do not keep records of offers anywhere. In international practice the recorded transactions reveal whether a broker would have been able to trade within the preestablished price limits, and if he did not, the brokerage firm must accept responsibility for failing to do so. Defendant tried to challenge the competence of the witness. In response, Berencsi said that he has been a consignor (investor) at both the American and the German stock exchanges. Incidentally, these stock exchanges do not require (brokers) to pass professional examinations.

Dr. Istvan Molnar, head of the AEF [Stock Exchange State Supervisory Authority] legal division, appeared as the next

witness on behalf of Dr. Zoltan Pacsi. Molnar said that the operations of brokerage firms are preconditioned by having rules and regulations governing their business conduct. The fact that brokerage firms must delete from their rules and regulations provisions that conflict with laws flows from the AEF's exercise of its supervisory authority. Brokers and clients may deviate from these rules based on written agreements, however, but even then they are not permitted to include illegal provisions. (Thus, stipulations for a 50-50 split cannot be included. On the other hand, a client may reward a successful broker following the successful completion of a transaction.) When a client enters into a contract with a brokerage firm, the client must be enabled to familiarize himself with the rules of business. Nevertheless, since there is no legal guarantee to this effect, the AEF requires in vain that clients be protected; there is no legal enforcement tool to protect clients. Familiarity with the rules and regulations at the time of entering into an agreement is a requirement as well as a condition for doing business, but the client is not required to acknowledge familiarity with the rules and regulations in writing (e.g., by affixing his signature). The anonymity provisions contained in contracts are consistent with law, and unsigned contracts are also valid, and the holder of the second copy of the contract must perform on the contract.

The witness did not want to discuss whether the agreement at issue was a consignment agreement. On the other hand, he confirmed that the rules of BET [Budapest Stock Exchange] specify that such contracts are consignment contracts, and brokerage firms that hold membership in the stock exchange must observe the rules of the stock exchange. The rules also state that insofar as no conditions are established as part of an offer, such offer must be viewed as a partial offer. (This is essential, because Postabank has traded with itself four securities under the price limit specified by plaintiff; anyone who interferes from the outside has an advantage over his own fixed offer.) Relative to offers like this Dr. Molnar stressed that various records maintained may be regarded as complete and accurate only with respect to actually completed trading. It is possible to record offers, but doing so is not mandatory. On the other hand, legal requirements exist to the effect that brokers must convey all offers and that they must attempt to consummate a transaction. This flows from the fact that broker-client relations constitute a peculiar legal relationship of confidence, because only brokers are able to make offers at the stock exchange. Accordingly, offers must be made, and it is yet another question whether anyone accepts such offers. Equally, the confidential character of the legal relationship suggests that brokers must take part in trading at the stock exchange and that they must appear on the floor of the stock exchange during trading hours.

In response to questions raised by the defendant, the witness confirmed that last April it was indeed possible to trade Dunaholding stock outside the stock exchange. At present, one must comply with various legal requirements before becoming a broker, but actual human fitness and suitability to act as a broker cannot be

measured, and brokerages are liable for damages suffered for the broker's lack of suitability. Any broker has an opportunity to assign another brokerage firm to represent him while he leaves the floor.

In conclusion, the attorney for the defendant displayed a photo copy of Andras Laszlo's 1991 business calendar, which indicated that on each day in question he had entered the word "stock exchange." Further, the attorney pointed out the fact that the plaintiff continually referred to stock exchange rules that were not in force at the time of the consignment. The court asked that both rules and regulations in effect in early 1991 and presently be submitted at the next hearing. The next trial date was set for 20 May; additional witnesses will be heard at that hearing.

Ministry Salvages Bankrupt State Firms

92CH0639E Budapest HETI VILAGGAZDASAG
in Hungarian 30 May 92 pp 79-80

[Article by Patricia Molnar: "Industry Salvaging Actions; Selected Works"]

[Text] No one can tell at the moment whether bankruptcy filings are going to result in a mass liquidation of enterprises and in absurd situations experienced by certain trades and in certain regions. Nevertheless, the Ministry of Industry and Commerce [IKM] would throw a life raft to some firms.

A proposal advanced by IKM experts to the effect that certain firms finding themselves "near bankruptcy" should be judged individually and on the basis of special criteria, and that state creditors should reduce their claims—as Deputy State Secretary Balazs Botos said the other day—is going to be the subject of tough criticism. All this amounts only to a concept advanced by the ministry for now; interministerial reconciliation has yet to follow, and it is an open question whether the government is going to support the idea. Not to mention the fact that since the proposal would allegedly cost the state budget 10 billion forints, it could not be implemented without the approval of the National Assembly.

In any event, it is not going to be easy to find supporters among professionals "sworn" to support a market economy. "We are counting on critique, because experts at the ministry also recognize that this measure is not consistent with market concepts," IKM division chief Mrs. Karoly Szilagyi acknowledged. "But only those organizations would receive help which have a future based on their production and technological features and on their potential to be sold, but which by virtue of past limitations—investments forced from the top down, profiles based on the Eastern bloc—find themselves near bankruptcy," she added. According to the proposal, the state as the creditor, or in more specific terms: The tax and customs authorities, social security and the State Development Institute, would not permit tensions to mount to the extreme at firms regarded as viable, i.e., it would forgive part of the indebtedness of these firms so

as to enable them to avoid filing for bankruptcy. This is based on the idea that the state would lose far more if it left these organizations to their own.

One could only guess what kinds of firms the IKM would deem as worthy because the ministry does not want to reveal the identity of the favored firms for now. It is certain, however, that the number of firms selected for rescue is between 10 and 20, and further, that one will find the machine industry, vehicle manufacturing, and chemical enterprises among these. At most, two of these firms have already filed for bankruptcy, the rest find themselves mostly in their "24th hour," ministry officials said. But since about 40 percent of firms under the ministry's supervision are expected to file for bankruptcy, every second firm could be among the candidates for salvaging.

Although the law concerning bankruptcy and liquidation proceedings expressly rules out intervention by the state or by the ministries, and clearly renders the future of each individual firm subject to negotiations between debtors and creditors, mandatory requirements for providing information have been kept to a minimum, and the IKM has begun maintaining bankruptcy data only since last January. Thus their statistical base is incomplete because only the enterprises under state administrative supervision must inform the IKM of their bankruptcy filings, while self-managed firms respond to requests for data on a voluntary basis. Those which have transformed themselves into corporations have entirely fallen under the horizon. CEGKOZLONY's bankruptcy announcements are not up to date either because this medium reports bankruptcy cases only after the pronouncement of judicial decrees. For example, as of 15 May the IKM has been aware of exactly 100 state enterprises under the ministry with bankruptcy or liquidation proceedings or in the final settlement stages, but half the number of these were not reported by CEGKOZLONY. The rest have not yet been dealt with by the courts, or the petitions have been returned for additional material.

Due to gaps in data provision no one has accurate knowledge of where things stand, and predicting the outcome of bankruptcy filings is a real risky undertaking. The question is, how creditors are going to conduct themselves in the course of negotiations. The largest state creditors regularly reconcile their positions and weigh whether there is a chance to sustain a bankrupt firm, according to Finance Ministry Deputy State Secretary Dezso Sugar, in a statement given to HVG [HETI VILAGGAZDASAG]. In his view the law provides ample ground for negotiations to all creditors, including the state, and this can be seen from the fact that debtors and creditors were able to reach agreements within the prescribed 60 day period in two thirds of the bankruptcy cases filed since January. All this also depends on the kind of recovery plan the debtor proposes. Due to concerns about liquidity and the uncertain situation of debtors, most creditors do not favor proposals based on which the creditor would become a partial owner in the

debtor firm, in exchange for cancelling the claim. Therefore, the IKM suggests to bankrupt firms not to prepare programs for short term financial settlement, but instead, to present their strategic business and structural transformation plans to the creditors.

The IKM recommends the following to debtors, because one cannot count on reaching an agreement with several dozens of creditors, and because an excessive number of small creditors may also cause problems in the proceedings: Forward to small creditors an offer of settlement that is more favorable than the one submitted to large creditors—but that nevertheless is reconciled with the large creditors—prior to the negotiations, requesting a written acknowledgement of receipt.

Doubtless, difficulties in reaching agreements with everyone will continue to exist because of the varying characteristics of shippers [creditors], and therefore bankruptcies may assume a constrained path and end up in liquidation. So-called public utilities may threaten with the termination of electricity, gas and water provisions and therefore may be able to recover all their money, but the rest may receive only drops in the bucket. One and two person business partnerships, on the other hand, may experience touchy situations as a result of the fact that the law authorizes a 90-day payment delay to firms filing for bankruptcy.

Commercial banks cannot reschedule developmental loans because they are prevented from doing so by the refinancing credit practices of the Hungarian National Bank. Accordingly, commercial banks would divert their excess refinancing needs caused by rescheduling to the free money market. This practice, however, would not be worthwhile for financial institutions because of the higher interest rates. The multitude of uncertainties is increased by the fact that although the law provides detailed timing for bankruptcy and accounting processes in cases before courts, one cannot count on observing these rules due to the large number of cases and the lack of appropriately prepared judges. In other words, the inadequate capacity of courts could endanger additional firms waiting for the satisfaction of their claims.

In certain instances businesses worthy of seeing better days could also fall out of line as a result of the domino effect. Even more so because almost every debtor is equal in the eyes of the bankruptcy law (HVG 16 May 1992). The law treats firms that have been agonizing for decades the same way as those which became insolvent due to others. Only facts qualify the actors in a market economy, subjective intentions do not fit into a competitive economy.

According to arguments presented by the IKM, there is concern about hundreds of thousands of people finding themselves on the streets and forced to collect unemployment compensation as a result of a possible bankruptcy wave. IKM is trying to support its concern by asserting that the entire country must be regarded as a beginner insofar as bankruptcies are concerned, and that no one

can tell what the future holds. On top of that mutual enterprise indebtedness amounting to several hundreds of billions of forints—a phenomenon unknown in developed countries—prevents reliance on foreign experience.

Based on all of the above it appears that economic rationale is going to motivate the creditors' decisions, even though one could easily imagine that "collective wisdom" would permit only those to survive, who are worthy of a better life, from whom creditors could expect to collect their receivables. The method has not been tested. Contrary to state intervention and subsidies which have proven themselves to be hot beds of lobbying and protectionism, yet another postponement of payment could only extend the agony of many, while making the chosen ones comfortable.

Machine Industry 'Greatest Loser' in Privatization

92CH0629A Budapest TOZSDE KURIR in Hungarian
30 Apr 92 p 11

[Article by "al": "PRIVATIZATION MONITOR; The Greatest Loser Is the Machine Industry"]

[Text] The first issue of PRIVATIZATION MONITOR, the Privatization Research Institute's news bulletin, which includes trends, facts, and instances of privatization, has appeared. From it we learn, among other things, that the greatest loser of the economic change is the machine industry. The former Machine Tool Industry Works [SZIM], a representative enterprise of the sector, and the companies formed from its sections are no longer counting on earlier Soviet exports. The success of the new organizations has been diverse—some of them went bankrupt—but the Mahoszim, Ltd., proved to be a successful venture. The German machine tool industry manufactured 300 machine tools valued at 9 million marks, all of which sold. The company's capital stock is 200 million forints, with the German partner having a 68-percent and the Hungarian partner a 32-percent share. The annual sales for each partner amount to 5.5 million forints.

Hungarian large industry's workhorse is the Raba Hungarian Railroad Car and Machine Factory: Its debt amounts to 4.5 million forints, and the value of its unsalable stocks reaches 7 billion forints. Its Koszeg plant must be shut down, and its Szentgotthard plant will go its separate way. The Raba is trying various ways to get out of its troubles: It manufactures rocking horses for Western markets as well as the main parts for Korean-made MAN engines.

The oft-mentioned Pest Region Machine Factory is also in a bind. Few people know that Line Up, a British firm, wanted to buy it but the contract was cancelled by the AVU [State Property Agency] because the British partner failed to transfer the purchase price.

The Agricultural Machine Enterprise of Debrecen also faces severe problems. The company's losses amount to 39 million forints, and last December—because of a lack

of orders—it was forced to stop production of its traditional products. According to estimates, enterprises and companies that make farm machines accumulated about 600 million forints' worth of losses.

The vehicle industry is also struggling with severe structural and marketing problems. In accordance with the agreement between Ikarus, Ltd., and Ikarus State Enterprise, the former will assume all of the latter's liabilities. The collateral for that is assets worth 16 billion forints.

The Csepel Automobile Factory will soon become a limited company. The capital stock of the new company will be replenished by a 10-million-dollar capital of Group International, Ltd., a Swiss-American investment firm.

The second phase of Orion's privatization is also coming to an end after the first—which was a bidding for the enterprise as a whole—was abortive. Bidders were driven away by the price of 1 billion forints, which was accompanied by even a higher amount of debt. Last year the enterprise manufactured only 60,000 color [television] sets, which was half of the previous year's production! And, in closing, one more piece of news about privatization: 30-35 percent of Hungarian Optical Works assets are planned to be transferred into private hands this year.

Corruption Rampant in Construction Industry

92CH0638A Budapest MAGYAR NEMZET (Economic supplement) in Hungarian 23 Apr 92 p III

[Interview with Gyorgy Foldvari, chairman of the construction industry branch of the National Association of Entrepreneurs and president of Novarat Construction Industry Small Cooperative, by Piroska Fusi; place and date not given: "On Opportunities Available to the Construction Industry; Against Corruption"]

[Text] *"Unfortunately, I must contradict what was just said, at least insofar as the frequency of tender invitations in the construction industry is concerned. By carefully examining the newspapers you will find that tender invitations have virtually disappeared. On the other hand, your impression is correct from the standpoint that decisions concerning most significant projects are made on side tracks, or are based on various shady, so-called closed tender-bidding processes. The side tracks are fundamentally influenced by bribes, which have become quasi-legal by now, while closed tender-bidding processes are clearly governed by friendly relations with a certain group of people." This depressing view has been expressed by Gyorgy Foldvari, the chairman of the construction industry branch of the National Association of Entrepreneurs and president of the Novarat Construction Industry Small Cooperative, in response to our inquiry about the extent to which sharp criticism of the competitive bidding system characteristic of the construction industry has been well founded, and about ways the industry could escape this lowly situation.*

[Foldvari] The rules of competition have remained unchanged, i.e., they continue to be centered around the person who places the order and nothing protects the entrepreneur. The situation is aggravated in Hungary by the fact that there is no appropriate interest representation, the market is not being protected, and no appropriate stand is taken by the Chamber. The logical consequence of this situation is that any botcher, any sly bunny rabbit, is capable of finding himself a place by paying an appropriate amount of bribe.

Existing rules of competition provide that foreigners must utilize a certain percentage of goods manufactured in Hungary, and to a certain extent, Hungarian subcontractors. But this requirement only adds oil to the fire; it attests to a total lack of competence on the part of the legislature. Just think: A foreigner is obviously going to spend his money on what he would have to purchase anyway, such as water, temporary energy supplies, gas, area use, or some mass-produced goods not worthy of being purchased from abroad, such as bricks, gravel, sand, and cement. Beyond that, foreigners accept two or three Hungarian subcontractors, whom they treat like slaves. The foreigner has the substantive part of the work performed by people who suit his own interests.

Interest Representation Solid as Steel

[Fusi] If I understand you correctly, there is big trouble with the competition rules and with compliance with these rules....

[Foldvari] I think that I reveal everything by telling you that even a Hungarian ministry has called for a closed tender bid, by inviting only those whom they regarded as worthy, and one cannot tell what kind of criteria they used for their selection. The rule which requires public competitive bidding involving state funds in excess of 2 million forints also applies to them.

[Fusi] How could this situation—described by you in not overly rosy terms—be eliminated?

[Foldvari] Look, I regard street demonstrations as a last resort, but one could certainly take some other radical action.

[Fusi] Accordingly, what is the solution?

[Foldvari] The prevailing buddy-buddy system could be curtailed above all by enacting a serious law governing chambers [of commerce] and with the help of one or two angry interest groups, which could do more than establish negotiating relationships with the government, and could also say "no" to things. Further, there is a need for some radical means by which the industry and rights can be protected, and not to the least, we should not be selling out the country, even though I would not say that we should not accept foreigners.

Murderous Interest Rates

[Fusi] Many would certainly argue with the latter view because they believe that the Hungarian construction

industry has reached rock bottom, it has no money, and, fundamentally, its competitiveness is also questionable.

[Foldvari] This construction industry has proved itself. To mention just one thing: It has produced 350,000-450,000 housing units per plan period. But solvent demand has been eradicated from the housing market during the past two years by terminating the preferential, 3-percent interest housing construction loans. Moreover: The state has also removed itself from housing construction in a gentlemanly manner. And insofar as community investments are concerned: By now they are closing down nurseries and nursery schools, while they are not constructing new ones. The secondary school construction program has also come to a halt, there is no bridge or road construction, and there are virtually no investments except in the field of telecommunications. Accordingly, what you have just mentioned, the shortage of money, is much more a matter of lacking determination, at least insofar as the construction industry is concerned. While revenues derived from taxes and withdrawals exceed any previous level, one cannot see clearly where funds are being recirculated into the economy. And don't forget: Commercial banks have completed their two best years.

[Fusi] In the end, do you agree with the idea that Hungarian contractors should have an advantage in receiving world exposition project awards?

[Foldvari] One must not permit economic chauvinism to dominate. Accordingly, I would not say that an advantage should be provided, but equal conditions should, by all means.

[Fusi] What exactly do you have in mind?

[Foldvari] Look, we are unable to compete as long as a foreigner receives a 6- to 7-percent loan from his bank to finance an investment in Hungary, while we can obtain a loan with a 36- to 40-percent interest rate.

[Fusi] Accordingly, would you say that the damned banking sphere is the culprit?

[Foldvari] Not the banking sphere alone. Nevertheless, a few "minor details" should, by all means, be considered. One of these is the fact that the machinery of the Hungarian construction industry is 15 years old and that most of it has depreciated to zero; at the same time, however, the Hungarian tax system does not encourage investment and development. A solvent demand must be established, and one must not underestimate or treat as extremely low priority issues of such seemingly minor things as housing construction; I dare say that a great demand for housing exists. I am convinced that the professional aptitude of the Hungarian construction industry is not weaker than that in the West; only the factual situation, the material conditions, are worse. If these were raised to the appropriate level, one would not have to exclude potential partners through legislation.

Without Illusions

[Fusi] On the other hand, facts are facts, and it is unlikely that these could be substantially changed overnight. Based on all this, what are the construction industry's prospects insofar as the world exposition is concerned?

[Foldvari] Unfortunately, the Hungarian construction industry's anticipated role is secondary in character, because the number of hotels to be built and the identity of the builders of these hotels are rather uncertain; I do not know, after all, who is going to invest his money in a project that promises a return only in the long term. On the other hand, pavilions at the expo will be built by workers and staff brought from the homelands of various exhibitors, and this is even more so because the trade is in a recession throughout the world. A foreign firm constructing, let's say, a 5,000-square-meter pavilion will most certainly deploy capacities available within its own group of business contacts. This cannot be prohibited by law. On the other hand, competition must be honestly supervised, corruption must be discontinued, and equal financing opportunities must be established. The Hungarian construction industry will be able to live under those circumstances. One must not foster vain hopes: The world exposition alone is not going to resolve anything. As compared to housing construction tied to plan periods, and to 10-12 large state investments that have continuously existed before, the world exposition is only a very small project.

Privatization of Book Publishing Discussed

92CH0598A Budapest *MAGYAR NEMZET* (Economic supplement) in Hungarian 11 May 92 p III

[Article by Istvan L. Horvath: "Slow Privatization Threatens the Entire Book Publishing Trade"]

[Text] According to Peter Laszlo Zentai, director of the Association of Hungarian Book Publishers and Distributors, had the Ministry of Culture accepted the Association of Hungarian Book Publishers and Distributors' [MKKE] proposal late last year regarding funding sources for the Hungarian Book Foundation, the foundation could already exert its beneficial effects, and the productive part of the trade would not be threatened by collapse. But there is no foundation for now, therefore transformation of the state book publishing and of distribution enterprises has been delayed, and this too might damage Hungarian book publishing. We discussed the issue of transforming and the concerns of the trade with Zentai; the following is the essence of his views.

The trade has experienced an explosion-like change during the past two or three years. The number of firms involved has multiplied by 200, and the number of distributors also exceeds 100. More than 1,200 firms publish books today, although most of these publish only one or two books per year. The large growth began in 1989, when any previously banned book could be published. Book publishing and distribution clearly was regarded as good business that year because a small

investment produced a decent income relatively quickly. But the trade's great conflict that still exists could already be sensed at that time: A plural book publishing supply market with many actors had to face a stiff, disfunctional, monopolistic distribution network, which from a practical standpoint consisted of three large state enterprises: the State Book Distribution Enterprise, the Cultured People Book Distribution Enterprise, and the Teka. The increasing number of street vending enterprises created not only healthy competition to the commercial activities of the state but also uncertainty in the entire state publishing system, because quite often one could not tell when the street vendors would pay for publications received on consignment, if at all. The great demand for books declined after the great boom and reduced sales affected not only the small but also the large distributors as well. Inventories that could not be sold increased, distributors delayed paying their bills more frequently and reduced their orders....

Ever since the government had decided to privatize state property, it had become incumbent upon the Ministry of Culture to decide how to change the ownership of state firms under its supervision—about ways in which book publishing and distribution enterprises that create and convey cultural values could be transformed, while preserving their ability to function. The ministry established a privatization advisory committee composed of MKKE experts. The committee, together with competent persons from the ministry, reached a consensus on starting and completing privatization as soon as possible, and determined that the primary issue to be resolved was the future of the distribution enterprises. Everyone agreed that the remaining smaller distributor network would also be needed in the future after liquidating the monopolies. This established network could not be replaced or supplanted by vendors selling books on the streets because this method of distribution was not suited for the conveyance of national cultural values. It became clear that like other fields of culture, the book publishing and distribution trade could not count on receiving increased state budget subsidies either. To the contrary, all signs indicated that the amount of grants to be received would become more modest each year. The state, which previously has served as a significant and periodically as an overly generous supporter of culture, is unable to perform this function on its own by now. However, at the same time new forms of sponsorship and support have not yet evolved. Due to the decline in the standard of living, to inflation, and to rising book prices, the demand for books has also declined significantly, and this trade has been characterized by a shortage of capital and by mutual indebtedness. This, of course, is important as well.

Similarly, an agreement has been reached regarding the establishment of a foundation for the book trade to provide a new sponsorship and support system. Following the acceptance of this idea, the association presented its concept of the foundation in August, designed along the pattern of the Motion Picture Foundation. The

essence of this concept was to support literary works based on competition, rather than providing grants to institutions—an idea everyone rejected; let the foundation provide financing for authors in other ways, in the form of scholarships, assistance, credit, and credit guarantees for the development and maintenance of a distribution network. The association recommended that the minister of culture and the value-producing firms be the founders. This form would also provide an opportunity for the ministry to contribute to the foundation the 100-million-forint budgeted fund earmarked for the trade.

An agreement existed regarding the goal of the foundation; this however, did not hold true regarding resources. The Association together with the rest of the organizations in the book trade—the chamber and the union—asserted that the financial basis of the foundation be derived from state enterprise privatization revenues. We felt that this concept had a good chance of being accepted by the Ministry of Finance and by the State Property Agency [AVU], even if on the basis of a compromise by which the book trade would receive not 100 percent, but at least 50 percent of the revenues. The ministry, on the other hand, submitted what it claimed to be a plan that maximized the benefits: They wanted to contribute the real property of the firms under their supervision to the foundation and asserted that revenues derived from the utilization of these assets should serve as the decisive resource. At the same time, contrary to our concept, the ministry supported the establishment of a public foundation by the government. The association's proposal was not even discussed anymore after the ministry's alternative was drafted and publicized....

The book trade and writers' organizations discussed the ministry's concept last fall and disagreed with it on several points. We indicated that laws in force did not permit the contribution of state real property to the foundation; the loss of real property might threaten the solvency of distributor firms and their ability to function. We expressed concern that the ownership rights of firms to be transformed and their real property would travel separate paths, and that this would slow down privatization. The centralization of these assets—in the framework of a foundation—also presumed the establishment of a real property management organization, and this was not a simple task. Not to mention the fact that real property would have remained dead capital until such property was sold or leased. Overhead expenditures would have increased if those who had worked there before had to pay the leasing fees. Such increases would, sooner or later, also be reflected in increased book prices.

We asserted last year that a delayed decision was our primary concern. This is what the privatization committee had to say last September: "We agree with the purposes of a book trade foundation (so that privatization revenues remain within the book trade), but whether this is realistic must be decided by the end of October 1991. Our predictions for the spring are likely to

come true unless this takes place (the weak firms go bankrupt, while the managements and key employees of better firms go independent), and the ministry would have to deal with the unmanageable tasks of handling a mass of bankruptcies."

No decision has been reached concerning the foundation even as of May 1992, and our last year's predictions appear to be correct. Most distributors have become insolvent, book sellers owe several hundred millions of forints to publishers, who in turn, are unable to publish the books they planned to publish because of their outstanding receivables. No foundation is capable of settling this kind of indebtedness, the transformation, and the accelerated privatization, and only the earliest possible conclusion of privatization could provide help in this regard. Another consequence of the fact that a book foundation has not come about is that although parliament has voted to provide budgetary support—to be used solely by the foundation—these funds are still

inaccessible. The fact that meanwhile the book trade has received 40 million forints may be attributed to luck only, and much of these funds may be used to support literary works to be released in the course of the ceremonial book week.

A decree promulgated by the government on 28 April also attests to the fact that our concerns expressed last year regarding ministry concepts based on state enterprise real property were correct. Government Decree No. 72/1992—countersigned by the prime minister the other day—now makes it possible for the founding organization to utilize the real property of enterprises under state administrative supervision for the foundation's purposes. All this can only be accomplished, however, if the removal of the real property from an enterprise does not threaten the solvency of that enterprise and only if the enterprise guarantees payment of its existing debts to the extent of the value of the real property removed.

Leading Politicians on Future State Scenario

92EP0452A Warsaw EXPRESS WIECZORNY
in Polish 18, 19, 20, 21 May 92

[Article in four installments by Bogdan Mozdzynski:
"What Next for Poland?"]

[18 May p 3]

[Interview with Jan Krzysztof Bielecki, former prime minister, by Bogdan Mozdzynski; place and date not given: "I Believe in a Positive Scenario"]

[Text] *Lech Walesa admits the possibility that governing in Poland can be made more efficient "under the system in which Jan Olszewski is the prime minister." However, the position of the present government is becoming weaker. There is growing consensus that its departure can happen any day now. How do leading politicians view the future sociopolitical situation in Poland? Today we talked with Jan Krzysztof Bielecki (Liberal-Democratic Congress).*

"Two scenarios are possible," the former prime minister said. "The first one is positive and would correspond to the ideas presented by the just-appointed Council of the Trio, that is, of the so-called Little Coalition (the Democratic Union, the Liberal-Democratic Congress, and the Polish Economic Party). It assumes that the causes of the current crisis are only marginally linked to the current government. They are chiefly institutional. The crisis, the deadlock, the complications, they all are due in particular to the absence of appropriate regulations. Accountability needs to be determined. We still lack electoral laws that would allow, in a democratic country, the proper scheduling of elections and formation of a parliament that would not be as pluralistic as ours. That is because a pluralism that verges on populism threatens to make democracy a laughingstock—something that, unfortunately, we already are 'practice testing.' We are pointing only to the negative aspects of democracy, such as petty parliamentary wrangling, pursuit of personal interests, or partisanship. All this affects the efficiency of governance. The crisis is also a consequence of the delays on issues which should be immediately tackled and according to a very precise timetable at that."

[Mozdzynski] What issues do you mean?

[Bielecki] The reprivatization [property restitution] problem should be resolved, privatization accelerated, governance decentralized, a housing program begun, and radical budgetary reforms initiated. The existing fictions should be abandoned, particularly the fiction of free health care, which is only seemingly free. "Ministerial Poland" should be jettisoned and central administration reformed. That is because the decisionmaking mechanisms at the top are complicated and, when the interests of discrete ministries conflict, conflicting decisions are taken.

At the moment some 110 laws are waiting to be "processed" by the Sejm. The passage of at least 20 of these

laws is needed to resolve the issues I mentioned. However, it does not seem that the parliament will come to grips with this matter soon, and only emergency powers for the government—for a limited period of time—can skirt this legislative impasse.

[Mozdzynski] What government could implement such a program?

[Bielecki] One that would have the support of the parliamentary majority (best of all, two-thirds) and that at the same time would not be based on bargaining among the deputies.

[Mozdzynski] Experience with the attempts to form a broad coalition shows how difficult it is to form such a government.

[Bielecki] That is not a good example. I believe that Prime Minister Olszewski was not anxious for political reasons to form such a coalition. The issue of broadening the governing coalition was a sham, the real purpose being to prepare a solution fitting in with the aims of the peasant-Christian parties.

[Mozdzynski] The president gave the Sejm and the political parties a month to form an efficient and effective government. A congress of NSZZ Solidarity is to be held a month hence. Some people claim that that congress will end with the president riding out on a white horse and at the head of a mob....

[Bielecki] This means a negative scenario.... The dangers to political and economic changes are numerous. The ridiculing of democracy, which affects the effectiveness of governance, will lead us to complete chaos in the economy. Even now the expectations that the government will relax its policies are apparent. A less diplomatic way of characterizing the current occurrences would be to say that they contribute to making economic life anarchic. Everyone is trying to save himself on his own. Well, what we have is not the Pilsudski scenario, i.e., stability and consistence in implementing the reforms, but political and economic chaos and in the best case a delay of several years before Poland can be turned into a significant country in Europe.

[Mozdzynski] Which scenario is more likely?

[Bielecki] I firmly believe in the positive scenario, this being my rationale for working for our government for the last 13 years. This does not mean that I am an optimist, but I am trying to be one. There can be, of course, various versions of the positive scenario. Thus, for example, if a better electoral law were to be devised, earlier elections could not be avoided.

[Mozdzynski] Following the last meeting of the Trio a vote of no-confidence in the government was not passed. Still, how much time do you give that government?

[Bielecki] This is not a personnel problem. Were we to desire to injure ourselves, the best way for that would be to first pass such a vote and then elect new members of the Council of Ministers from among ourselves. Yet, given the present institutional situation and the existing atmosphere, effective governance simply is not possible. And let me repeat what I said on 12 September 1991: In the present situation effective ways of governing the country would be exhausted.

[Mozdzynski] Regardless of the composition of the government and the personality of the prime minister?

[Bielecki] Yes, although it should be openly stated that, given its political will and program, this government is in no way conducive to any change in the situation.

[19 May p 3]

[Interview with Wieslaw Chrzanowski, Sejm marshal and leader of the Christian-National Union, by Bogdan Mozdzynski; place and date not given: "Giving the Prime Minister a Week"]

[Text] *The growing opinion is that the departure of the government of Jan Olszewski is possible any day now. How do leading politicians envisage further development of the sociopolitical situation? Following Jan Krzysztof Bielecki, EXPRESS WIECZORNY interviewed Wieslaw Chrzanowski, the leader of the ZChN [Christian-National Union].*

[Chrzanowski] The [Sejm's] vote on the rulings of the Constitutional Tribunal, unfavorable as it was to the government of Jan Olszewski, along with the resignation of Minister Artur Balazs and the withdrawal of the Christian Democratic Party from the coalition supporting that government, are signals that that coalition is crumbling. In addition, Ministers Andrzej Olechowski and Jan Parys also have resigned. But since the prime minister has declared that he does not intend to resign, and since the representatives of the currently oppositionist parties, and especially Tadeusz Mazowiecki of the Democratic Union, say that they will not take any steps that would directly lead to the collapse of that government (by, e.g., passing a vote of no confidence), the prime minister has a chance and I believe that he shall try to preserve the government.

[Mozdzynski] What steps do you expect the prime minister to take?

[Chrzanowski] I believe that he will try, above all, to reinforce the coalition supporting him, because at present it is not yet stable. In addition, he will still have to present a clear outline of a government program, or revise that program, including not only its long-range aims but also clearly spelled-out measures which the government intends to take immediately. These measures would have to be markedly intensified, as otherwise the government's credibility would suffer. Personnel shifts within the government also are indispensable. In addition to the vacant post of the

minister of finance, many doubts are entertained as to the cohesiveness of action of the other ministries, especially the economic ones. If the prime minister's personnel proposals convince the parliament, the government under his leadership still has a chance.

[Mozdzynski] In your opinion, should the prime minister make haste?

[Chrzanowski] This government has one week left to demonstrate energetic and effective leadership. In my opinion the latest date on which the prime minister can speak up is the next meeting of the Sejm. I thus believe that early in the last decade of May we shall know what prospects exist for firming up executive powers in Poland.

[Mozdzynski] Do you not think that there is also one other deadline, signaled by the president in his message? He declared that he does not intend to wait longer than a month for changes.

[Chrzanowski] Unless Jan Olszewski makes some attempts, or if they do not gain acceptance, there is reason to believe that the president will take some decisions. Besides, the Constitution obligates him to do so.

[Mozdzynski] In your opinion, will the congress of NSZZ Solidarity scheduled for mid-June influence the course of events in Poland?

[Chrzanowski] I personally am not apprehensive about that congress. As regards ability to hold talks with Solidarity, Prime Minister Olszewski is considered more credible by that trade union than certain other politicians who at present play a role on the national scene.

[20 May p 3]

[Interview with Jaroslaw Kaczynski, leader of Center Accord, by Bogdan Mozdzynski; place and date not given: "A Strong Government Is Needed"]

[Text] *Will Prime Minister Olszewski make new program proposals at the Sejm tomorrow? Will there be personnel shifts within the government? Many politicians believe that this is the prime minister's last chance. How do leading politicians view the future sociopolitical situation in Poland? Following Krzysztof Bielecki (Liberal-Democratic Congress) and Wieslaw Chrzanowski (Christian-National Union), we interviewed Jaroslaw Kaczynski (Center Accord).*

[Kaczynski] Broadly speaking, we can say that the present government has become highly unstable. The need for a cabinet based on the parliamentary majority has increased instead of diminishing. Yet, it is greatly difficult to achieve such a majority. Above all, there is no other candidate for the prime ministership who would be both substantively eligible and acceptable to all the sides, including the president. I appreciate the importance of the "little constitution" [constitutional amendments

concerning chiefly executive powers] and believe that it will be adopted, but at the same time its importance should not be overestimated. In itself it will not resolve the political problems, especially the effectiveness of governance. Above all, the government needs a parliamentary majority.

[Mozdzynski] How long will the government of Jan Olszewski survive?

[Kaczynski] His departure has been mentioned ever since the fiasco of the coalition talks. It had seemed that he would then resign immediately. But that was hasty thinking. In one way or another, the present government will survive only until the moment when an alternative formula is worked out. It is better than nothing. It would be totally irresponsible to topple the present government without having a broader formula ready in advance. The "Little Coalition," that is, the Democratic Union, the Liberal-Democratic Congress, and the Polish Economic Party, is no substitute for such a broader coalition. If, however, the present government offers a rational proposal, it may gain support.

[Mozdzynski] What proposal would be rational from the standpoint of Center Accord?

[Kaczynski] Center Accord wanted and still wants a majority government. Of course, such a government must also satisfy certain quality requirements and its economic and political policies should be acceptable to us. There should be hardly any problems with the former but as for the latter, things are more difficult. The Parys Affair shows that not everyone accepts changes that we consider absolutely indispensable. Irrespective of this, it may be that Minister Parys made certain mistakes; the policies he had initiated at the Ministry of National Defense should be continued.

[Mozdzynski] Are you apprehensive that the president might seize the initiative?

[Kaczynski] I believe that with his speech to the Sejm, the president started a game in which the June congress of Solidarity may be a counter. But, in my opinion, that game will be supported only by Solidarity's "establishment" (which basically is well positioned in a situation difficult for the society) and not by its rank and file. The division apparent during the Solidarity demonstration in Warsaw may recur: To be sure, a resolution highly in favor of the president was passed, but the course of the demonstration turned out to be extremely antipresidential. It is simply that the people who had drafted that resolution were not the same people who took part in the demonstration. In general it seems that Lech Walesa has started a game in which he may emerge the winner only if the parliament turns out to be politically impotent, as regards establishing a strong executive that would be capable of genuine, energetic, and resolute action.

[21 May p 3]

[Interview with Bronislaw Geremek, chairman of the Sejm Commission for International Affairs, by Bogdan Mozdzynski; place and date not given: "A Change of the Government Is Needed"]

[Text] *Prime Minister Olszewski declared late last week that, for the first time since 1989, "positive trends have emerged in the Polish economy." The prime minister made it clear for the benefit of the reporters that these trends are to the credit of the government that he is heading. But many politicians believe that his cabinet is ineffective. How do leading politicians forecast the unfolding of the sociopolitical situation in this country? Following interviews with Jan Krzysztof Bielecki (Liberal-Democratic Congress), Wieslaw Chrzanowski (Christian-National Union), and Jaroslaw Kaczynski (Center Accord), EXPRESS WIECZORNY has interviewed Bronislaw Geremek (Democratic Union).*

[Geremek] I believe that at the moment there exists political instability due to the conflict between the government and the president, as well as within the government. As I see it, the government is no longer performing its organizational and decisionmaking duties. This is highly disturbing to me. Together with the Liberal-Democratic Congress and the Polish Economic Party, my party, the Democratic Union, has pointed to two basic and urgent needs: first, the need to change the institutional framework within which the central bodies of the state operate, and second, the need for a change in the government. I think it would be feasible to accomplish within a month hence the changes which we [of the Democratic Union] consider the indispensable minimum, namely, the adoption of the "little constitution" and of a new electoral law. But while the electoral regulations proposed by the Democratic Union are expected to have the support of the parliamentary majority, the problem of the "little constitution" is more complicated. The president has demanded constitutional provisions broadening his powers as compared with the provisions of our draft, while on the other hand certain parties represented in the parliament desire to curtail these powers. Thus a situation of uncertainty exists. What matters, however, is that in his speech to the Sejm Lech Walesa acknowledged the need for institutional changes. We can thus count on his goodwill as well.

[Mozdzynski] If, however, no compromise is reached about the "little constitution" between the Sejm and the president, or within the Sejm itself, do you think that Lech Walesa will translate into reality his stated intent to seize the initiative and seek support outside the parliament?

[Geremek] The president's declaration contains elements which are disturbing, but I assume that neither he nor anybody else—not the government or any political force—will resort to actions violating the constitution and the principles of a law-abiding state. I hope that

certain words which have been uttered do not correspond to actually intended actions. I wish that optimistic forecasts would come true, meaning that I wish that both the "little constitution" and a new electoral law would be passed by the end of June.

[Mozdzyński] But the Solidarity congress is scheduled for mid-June. Are you not apprehensive that the president may emerge from it riding a white horse and at the head of a mob?

[Geremek] I do not believe that Solidarity, which was the organizing force in the reform process in Poland, would now act as a force blocking this process. The date of Solidarity's congress coincides, however, with the president's declared intent of eventually resorting to extraparlimentary forces, in addition to the disturbing experiences of certain Solidarity structures and activists. It remains to be hoped that, following Lech Walesa's speech to the Sejm, and following the Sejm debates, the country is aware of the political crisis and, in such a situation, no one will take steps dangerous to the state.

Candidates for Solidarity's Chairman Viewed

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26 May 92 p 2

[Article by Pawel Tomczyk: "Before NSZZ Solidarity's IV Congress; Three for the Chair"]

[Text] Lech Walesa's legend and charisma spoke for him when he was chairman of the National Committee of NSZZ Solidarity. He was elected chairman at the first congress, running against such candidates as Andrzej Gwiazda, Marian Jurczyk, and Jan Rulewski. During the second congress, he won against Andrzej Slowik and Tomasz Wojcik without any trouble. Before leaving for the Belweder [the presidential residence], he designated Lech Kaczynski to be in charge. Solidarity's third congress last year selected Marian Krzaklewski chairman, who was left with a difficult situation after Lech.

Today, two weeks before the fourth congress, we already know the three candidates for the position of chairman of the National committee. They are: Maciej Jankowski, chief of the Mazowsze Region; Marian Krzaklewski, current chairman of the national committee; and Andrzej Steczynski, newly elected chief of the Elblag Regional Board. Steczynski, the least known, is a 31-year-old dentist who, in 1981, was an activist of the Independent Students Association (NZS) at the Medical Academy in Gdansk. He was persuaded to be a candidate by a "well-known union activist" (he did not disclose who) but finally decided to do so after a "not-decisive-enough" position taken by the union leadership—Krzaklewski and Jankowski—during the Solidarity demonstrations in Warsaw on 24 April.

For the 41-year-old Marian Krzaklewski, who holds a Ph.D. in automatics, what will speak for him will not be

his program as much as his accomplishments in the union that will be evaluated by the delegates at the congress.

Maciej Jankowski, a 46-year-old ironworker/welder, maintains that in the last two years "the union has washed itself away. It became unclear for the authorities and for the union members." It is necessary to regain credibility and identity. Complex talks with the government could have taken place a year ago. "The government was ready for it. At that time the industrial enterprise debt was 40 trillion zlotys [Z]; today it is over Z200 trillion." In Jankowski's opinion, "Marian's little steps" did not make any sense, i.e., the signing of small-scale agreements with particular trades at a time when there was no general coordination on how to solve complex problems, such as how to relieve large enterprise debt or overcome the recession. The union first and foremost should effectively help workers. To do that an authentic essential base is needed. And the union is becoming more and more amateurish. The next thing to do is appropriate cooperation with the press, radio, and TV in such a way that the real, practical functioning of the union will become apparent and not just "the hanging of banners."

Andrzej Steczynski maintains that Jankowski is not flexible enough for the present time. Krzaklewski, on the other hand, had several times looked for unnecessary compromises, such as in the matter of raising energy prices, when what was required was a firm demand to recall an unjust decision.

Steczynski would like to aim "for the center" with his proposals, between Krzaklewski and Jankowski. For the past year, Steczynski has been in charge of trades in the National Council, and has chaired the team working on changes in the union's statutes and financial policy. He supports the idea of "defining competences and spheres of activities of the trade structures," and within the regional trade structures. On the subject of the economy, he thinks the most important issue is for Solidarity to adjust itself to the privatization process, particularly in the area of protection of workers' rights in those enterprises undergoing privatization.

Walesa's 'Precedent-Setting' Address Analyzed

92EP0438A Warsaw POLITYKA No 20, 16 May 92
pp 1, 5

[Article by Wieslaw Wladyka: "The President Desires Power: Poland Cannot Be Governed Without Lech Walesa"]

[Text] Lech Walesa's address to the Sejm was precedent-setting politically and constitutionally. By speaking in the parliament to the deputies, the president created an extraconstitutional fact, because neither the Constitution nor Polish tradition is familiar with such an instance. Hence the deputies could react to the president's address in a debate, subject it to criticism and assessment, and perhaps even vote on some motion. The

sole possible, i.e., the civilized response, was made: Cognizance was taken of the fact. Subsequently, politicians commented on it and made suitable declarations.

Legislators and constitutionalists will have problems with interpretation. At any rate, that was an adroit move by the president. It strengthened rather than weakened the Belweder [the Polish equivalent of the White House]. The president spoke in the parliament rather than at a news conference or on television. He uttered his words in a particular place and thereby they acquired a special nature, were more "official." They cannot be ignored even if it were so desired; politicians have to respond to them and party strategists have to consider their consequences.

The presidential message was addressed to several audiences, with perhaps the most important audience not being the one on Wiejska Street [the parliament itself]. It appears that the message was principally addressed to the entire society, although Lech Walesa also announced his intent to deliver a special address to the nation. The rhetoric and composition of that message to the deputies resembled a conversation with the nation rather than with professional politicians. It contained more appeals and generalizations than details, and it stressed intent more than a specific program. And its tone, fatherly and concerned, also was suited. That applied when the president declared that the country is mired in chaos and people have nothing to live on ("Many Polish families live below the social minimum"), that they lack hope, and that properly speaking, only emigration can provide that hope. That also applied when he criticized the "games" played by politicians, their "skirmishes" that perplex the ordinary citizen. And that also applied when he said that many matters remain unresolved despite the assurances and promises made. "That is why politicians, who fail to grasp the most elementary and widespread social expectations, are unfit to govern Poland." The president said things to which the social reaction can be only one: Yes, he is right; he speaks well.

That was a good address when viewed from this standpoint.

But what matters most, seen from the standpoint of social psychology, is that Lech Walesa—despite his many mistakes and his sizable share of the blame for what he is criticizing—has again represented himself as a man standing aloof from the political mess, as the mentor who has a special right to intervene in politics. Achieving such a psychological effect is also clever politics.

The president said that Poland lacks a "gospodarz" [boss]. "Gospodarz" is an apt term. By using this term the president also met social expectations. And he referred, as he has been doing for some time now, to the French example. As Walesa presented that example, it reduces to an apt and historically verified combination of democracy with strong executive power, with the "gospodarz" of the entire system being the president,

who "appoints and recalls the prime minister and other members of the government." Such a model of governance, in which "the legislative powers of the parliament remain inviolate," has the advantage of being simple and transparent, and thus is good propaganda. Is there any point to the erudite corrections by commentators and reservations expressed by politicians to the effect that the situation in France is after all not quite the same, and comparing Poland to that country is rather pointless? The president desires power, and as for the particular way in which he put it, that is a secondary matter. He could have just as successfully referred, roughly speaking, to the experiences of the Second Polish Republic. But probably in this case Walesa prefers to be a De Gaulle rather than a Pilsudski, considering that the marshal's relations with democracy had been, to put it diplomatically, complicated and could evoke among present-day parliamentarians associations that would be not too palatable.

Lech Walesa voiced his wish, which is actually a demand, and he is now expecting to have it incorporated in the work on amendments to the constitution, meaning that he expects the Sejm to pass suitably worded amendments. ("I am trying once again to fit in with the current parliamentary system which has emerged from the elections.") In this sense, that was a message to the parliament. Otherwise, "there will remain a rapid mobilization of the social base of support for translating into reality presidential duties and obligations to the nation." The president further said: "Our choices are limited." This can be interpreted as saying that neither the president nor the nation has a choice. That choice belongs to the parliament, to the parties holding seats in it. Another adroit psychological maneuver. It is not easy to dispute Lech Walesa's arguments. Indeed, power in Poland is weak and fragmented. The Sejm talks instead of acting and is ineffective and the government is incompetent and near the end of its mandate. The president is, to be sure, energetic, but he is a figurehead and any minister of state can thumb his nose at him. To boot, there are all those little parties with their homespun and demagogic politicians, such that the political scene has become muddled. Our politics are so ineffective, and its level of sophistication and quality are so low; there are few authoritative personages, and those that exist have their authority destroyed or destroy it themselves. Besides, there is indeed less and less hope among the people. Paradoxical as it may seem, Lech Walesa's inconstancy, the unconventionality of his behavior, the ease with which he changes his stance and reverses himself, may in such a situation be a valuable political asset. The public may feel yet again that if anyone is capable of doing good for the country, it is primarily Lech Walesa. He has sprung surprises on us so many times, some bad, to be sure, but others good, after all. And if not he, who else? That is how the public thinks. Therefore, if the president desires more power, perhaps he should be given it? It will be difficult for the parliament to resist this kind of blackmail.

The thesis of the need to strengthen executive power is not, properly speaking, being criticized anywhere; on the contrary, it is being broadly accepted in political life, both in theory and as a model. Thus, from this direction it is difficult to assail Lech Walesa. Unless it is clearly stated that, yes, a strong president is desirable but not this particular man. Such besides is the gist of the conclusions of, e.g., Jaroslaw Kaczynski, who has proposed to start everything from zero as it were: first the constitution and then new presidential elections.

Two scenarios are emerging, with each existing in several different versions. The first is to "fit in" the president into "the present parliamentary system," that is, some agreement between the Belweder and the parliamentary majority—a majority that must arise before such an agreement is reached. The history so far of the formation of coalitions in the parliament teaches that anything is possible and not all the arrangements and exercises have been tested out yet. A coalition would arise in order to form its government and at the same time reach an accord with the president. At any rate, a repetition of the old arrangement, that is, the formation of a coalition despite and in opposition to the president seems hardly feasible, and even if it were to arise, it would lead to nothing good. It appears that now the "trio" [the alliance of three political parties, the Democratic Union (UD), the Liberal-Democratic Congress (KLD), and the Polish Economic Party] has more chances than the "septet," which will first have to split and absorb its defeats. The "trio" also seems to be more inclined to meet Lech Walesa half-way, being ready to meet him somewhere in the middle of the road between the Belweder and Wiejska Street. For it is hardly conceivable that all the new powers desired by the president (e.g., the power to recall the prime minister) would be acceptable to the democrats from the UD and the liberals from the KLD.

Following the presidential address of 8 May, the relationship between the parliament and the president can no longer be the same. If it rejects Walesa's demands, the Sejm will provoke the president to launch the political action which he predicted. If, on the other hand, the Sejm reacts positively, it will have to engage in internal political deals and skirmishes with the Belweder. That will be an uphill struggle, and one which will additionally be waged in the absence of strong public interest. This scenario is difficult to implement.

Yet it seems the optimal one. The fight about presidential powers would be waged on the parliamentary forum rather than outside it. Certain matters would have to be openly mentioned and defined, such as the role and powers of the Presidential Chancellery. Lastly, there arises the question of whether increased presidential powers might not result in greater powers for individuals among the president's entourage, whose place in the structures of the government is unclear and suspect and elicits many reservations. Would not a strengthened standing of Lech Walesa mean an increase in the influence exercised by Mieczyslaw Wachowski, about whom former presidential staff members are spinning endless

tales that are now accessible to the public? The Belweder would of a certainty be empowered to appoint the prime minister and the government, which would be good, as it would mean the possibility of forming suprapartisan and supraparliamentary cabinets, or, in other words, that technocratic government which somehow cannot be formed by the Sejm itself. But as to vesting in the president the power to recall the prime minister, that possibility seems doubtful. At any rate, he would have to make some concessions in return for what he would be given. Such a procedure for institutional change would be objective and civilized.

The second scenario would be less reassuring. Let us assume that the president desires more power but the parliament refuses to bestow it on him. Then he addresses a special message to the nation and begins, as he has threatened, to build a "base of social support," and a new parliamentary system for Poland. The rise of a Lech Walesa camp is certainly possible, and perhaps even unavoidable. Of a certainty, the president is aware that he can be truly politically strong if a party of his own, supporting him, were to be established. Lech Walesa's old camp the one from before June 1989, as well as the subsequent one from the period of "the war at the top" [rift within Solidarity] has disintegrated and ceased to exist as an explicit formation. Naturally conceivable is some restoration of Walesa's close relationship with Solidarity, or with renewed and reestablished citizens' committees.

Walesa can also be conceived as a magnet which attracts from the political scene all the filings—the malcontents and frustrated ones as well as those looking for political and personal opportunities. Except that such formation of a new party, or rather of a movement in favor of strong presidential power, rallied round Lech Walesa, would be bound to oppose the democracy so far and to appeal to popular anger. There would then arise contradictions which even Walesa, who is an expert at combining the uncombinable, could not overcome. A rational economy and reforms or populism and social justice. The president has no political camp of his own—that is bad. So he wants to form one—that is bad, too, because it is disturbing and contains many unknowns. But what is known is even more disturbing.

The president is solitary and weak, but he is Lech Walesa. Poland cannot be governed as if there were no Lech Walesa here; that has already been tried once.

[Box, p 5]

The president declared the following in his address to the Sejm:

On the state and the administration: "The country is mired in chaos—no one is at the helm.... The most urgent task is to pass the 'Little Constitution' [constitutional amendments defining executive powers].... There is no explicit and clear division of powers among the government, the parliament, and the president.... The president should be vested with the powers to take

important decisions, in particular to appoint and recall the prime minister and the members of the cabinet.... A strong Presidency can be a guarantee of the pursuit of the reforms that will be indicated by the parliament.... A way of expediting the passage of legislation has to be found."

On the economic system: "The changes in the economy are too slow and not always in the right direction. There is no long-range plan for economic recovery in Poland.... The banking, tax, and tariff systems require a fundamental restructuring.... A new social insurance system is needed.... Credit policy should be clear and transparent.... A particular concept of privatization and reprivatization of the economy must be decided upon and the pertinent legal regulations and timetables determined."

On the situation of the citizenry: "The crisis hurts everyone, but it hurts the working people most.... People expect above all an improvement in living standards.... There are many more problems than accomplishments.... Unemployment is increasingly spreading among young people.... Many Polish families live below the social minimum.... This can no longer continue...."

1991 Defense Industry Statistics Released

92EP0440B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 7 May 92 p IV

[Article by Antoni Kowalik: "The Defense Industry in Statistics: Best Off Is the Ship Industry; Worst Are the Aircraft and Armaments Industries"]

[Text] It is estimated that the defense industry this year will make use of about 19 percent of the capacity allotted to the production of weapons and military equipment. Last year, close to 30 percent of capacity was used.

The decline of this production last year, in comparison with the previous year, came to about 10 percent. Special production was 1.1 percent of the value of total manufacturing industry production in 1991; in 1988, for example, it came to 1.5 percent. Employment in this industry has also undergone a decrease proportional to the decline of production.

One consequence of the decline of production is a worsening of the financial condition of individual enterprises. Last year, according to an analysis by the Central Planning Bureau, half of them had a negative financial outcome. Enterprises with a large proportion of civilian production and profitable exports were in a better situation; those which specialized chiefly in supplying the armed forces were in the worst situation. A comparison of the economic relations of defense industry enterprises in different areas shows that the ship industry achieved the most favorable results. The summary of activity of aircraft and armaments factories came out decisively bad.

Payment bottlenecks have proved to be a great hindrance for defense industry enterprises. The enterprises have gone into debt to one another, to credit institutions,

and to the state budget (taxes not paid on time). Half of the indebtedness of these factories consists of debts to banks; around 30 percent is debts to other economic units, and about 16 percent, indebtedness to the state budget.

Unpaid bills for delivery of goods and services make up the largest figure on the list of outstanding liabilities. This includes amounts owed by the Ministry of National Defense for deliveries of weaponry and military equipment, which came to around 1 trillion zlotys [Z] at the end of last year; around Z1.5 trillion are owed for special export to the countries of the former USSR. At the end of last year, the relation of liabilities to indebtedness in these enterprises came to 80 percent. This figure worsened over the course of the year. While in the first half of the year, 48 percent of the enterprises had debts surpassing their liabilities, 57 percent of the factories showed debts greater than liabilities at the end of the year. Half the enterprises lost creditworthiness during this period.

The Central Planning Bureau analysis shows that, due to the lack of prospects for development, and given insufficient means for restructuring, the economic and financial situation will worsen in many factories; in many cases, this will raise the danger of bankruptcy. The attempts which have been made to restructure, and to shift armaments factories to civilian production, are not bringing the expected results, since there is no money for investments. The low demand for civilian production is also a barrier. Therefore, only 60 percent of the capacity allotted for such production [in the defense industry enterprises] was utilized last year.

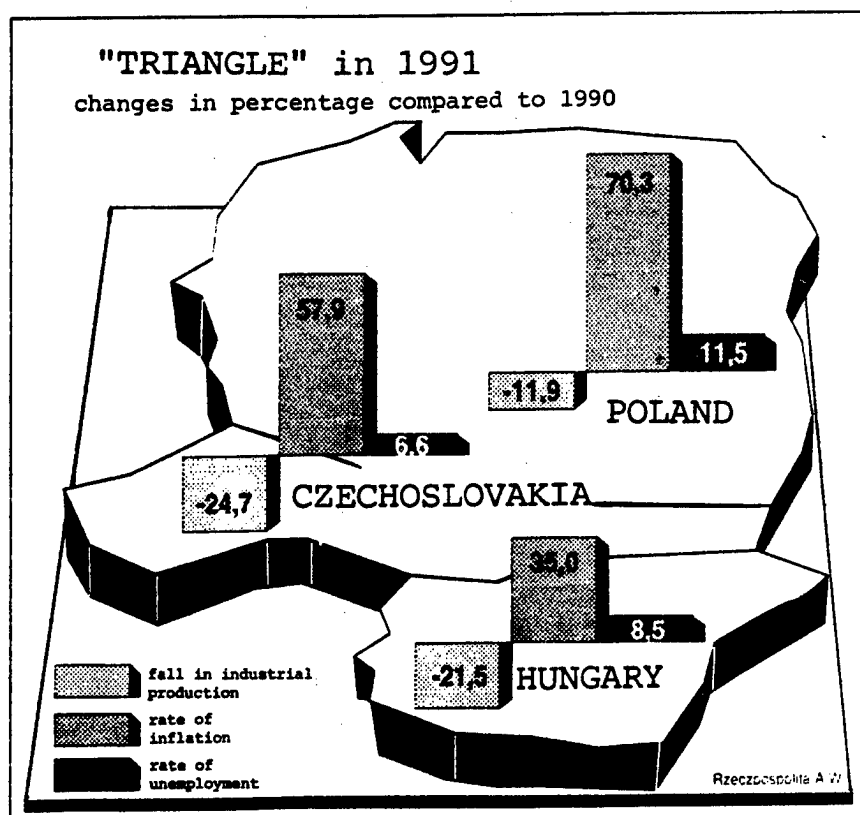
A chance for improvement of the economic situation of armaments enterprises is seen in property transformations. It is worth remembering that the program that has been prepared proposes, among other things, to separate a group of enterprises of fundamental importance for the country's defense and transform them into State Treasury companies. The remaining factories would, in the majority, privatize along general principles.

Trilateral Negotiations Reviewed, Described

92EP0419A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 6 May 92 p I

[Article by Danuta Walewska: "In Search of a Common Denominator: Poland, Hungary, and Czechoslovakia"]

[Text] After the implementation in our three countries of agreements resulting from the EEC association pact, it suddenly turned out that we trade with Community countries on much more liberal guidelines than we do with those partners who until now were so important, Hungary and Czechoslovakia. Now, however, when our three countries are so desperately searching for new markets—especially for products that are not easily sold to the EEC—the idea of closer cooperation in the Polish-Czechoslovak-Hungarian triangle has been revived.



We have learned that work is now being completed in the Ministry of Foreign Economic Cooperation on the treaty portion of the agreement. Most likely, only one meeting of its negotiators remains until its completion. It is, however, rather unlikely that the agreement will be implemented in its entirety by the end of the year. The 1 July deadline is completely unrealistic. From the very beginning of the triangle's existence, a principle of symmetry will be in effect, based on the idea that each country will give as many concessions for the products of another partner as it receives in return. The fact that in practice each of our three countries has different limitations on imported goods is somewhat of a difficulty in the negotiations. While our limitations are mostly in the form of tariffs, the Czechoslovaks have a 10-percent tax on market goods, and the Hungarians have tariffs, quotas, and concessions. Now the negotiators must reach an agreement so that access to goods in the triangle will really be equal. This may as a result bring another several million dollars in export yearly to each of the countries.

The benefits from the creation of this new more liberal trade zone are obvious. First, greater demand for their products, given lower duties, makes things easier for exporters. Importers also receive benefit, as import will be cheaper; it is important that import by suppliers will also be cheaper. Third, the integration necessary for joint entry into the EEC will increase.

The negotiators have already segregated three commodity lists, with different levels of liberalization. List A includes those commodities on which zero tariffs will be enforced immediately. List B is those commodities on which tariffs will be gradually reduced; it is expected that these tariffs will be liquidated after three to five years. Finally, List C is of sensitive products. These are, among others, automobiles, and in general the entire automotive industry.

Separate liberalization guidelines are foreseen for agricultural production, which, as is well known, is particularly sensitive. It is not expected that a zone of free trade of agricultural goods will be formed in the next five to 10 years. The fact that all three countries lie in the same climate zone, and thus produce practically the same things, is an additional difficulty.

The solution already applied in the case of the agreement with the EEC is a possibility, however. In that agreement, all countries agree to duty-free import of those agricultural goods that they themselves do not produce. For example, we would let in Hungarian salami and wine without tariff, and the Hungarians would do the same with Polish vodka and ham.

The negotiators want everything to end with as few conflicts as possible. The search for a common denominator on which that cooperation can rest goes on.

Privatization 'Myths' Examined, Refuted

92EP0426A Warsaw GAZETA WYBORCZA in Polish
30 Apr-1 May 92 pp 10-11

[Article by Janusz Lewandowski, Sejm deputy from Liberal-Democratic Congress and former minister of ownership transformation under Bielecki government: "Five Myths of Privatization"]

[Text] There are useful myths like that of the American shoeshine boy, which channel and invigorate popular energies. They exist, but they are not many. Normally, myths confuse people and bear the germ of destruction. It is precisely the latter that in Poland cause people to cling to privatization while it still has not gained impetus.

The Myth of the Sellout of Public Wealth

We shared duties as follows: Balcerowicz destroyed state enterprises and I sold them for pennies. Such was the looting of public wealth.

Aside from ill will, the origin of this myth is rooted in a great misunderstanding of the value and valuation of assets. This misunderstanding is due to prolonged ignorance of accounting principles, to the propaganda cult of wide factory halls and chimneys piercing the sky. Privatization provides an occasion for a realistic view of the legacy of communism—through the prism of market value.

The real value of an asset hinges on the financial benefits that it is to yield in the future. It is the buyer who most objectively assesses this value, since he risks his own money and his voluntary initiative is a condition for signing the contract.

Sometimes a large factory that is chock-full of equipment is simply there for the asking, for the symbolic one zloty offered by someone who would make sensible use of it, as otherwise it would be a burden on taxpayers. That is why the Zeiss Jena Works, the pride of the GDR economy, was sold for one mark! This is a truism that must be understood if common sense is to prevail.

The myth of the "sellout for pennies" divorces us from reality in two ways. First, it suggests that the industrial legacy of communism is of substantial value, and second, that privatization agencies have been deliberately selling these assets at below their value.

The point here is not the privileges granted as part of privatization, such as employee stock ownership, leasing, sales at convenient installment rates, or mass privatization. If anything specific is concerned here, it is certainly those transactions regarding which the Ministry of Ownership Transformation acted contrary to what it is being accused of.

The Ministry of Ownership Transformation has been trying to improve contract terms on the basis of property appraisals performed by experts. I say clearly, improve,

because in every case—including also the cases of the so-called controversial firms (Norblin, Wedel, or the Rzeszow Alima), the terms were improved in comparison with the original offering. This was accomplished by spurring competition among buyers as well as by conducting arduous negotiations, that is to say, at the expense of time. This was also accomplished by granting priority to buyers represented by joint ventures, that being the kind of enterprises preferred by foreign partners, since this facilitates the transfer of property.

Every case of privatization through receivership is vetted twice, which takes a long time. If now and then this has not been successful, it was inevitable, given the thousand or so cases involved.

The stereotype of "sellout of assets for pennies" conflicts, in this sense, with the reality.

The Myth of Poland's Buy Out by Foreign Capital

Opinion polls point to a marked turnabout in attitudes toward foreign investments. Success was achieved in frightening Poles with the alleged invasion of foreign capital, although actually that capital is on the whole avoiding our country and it is readily scared away by propagating irrational biases against it.

All of a sudden \$700-\$800 million was invested in Poland, but of the 6,187 companies with participation of foreign capital, actually only 1,200 are active, and of these barely a dozen or so are on a substantial scale (e.g., ABB, Thomson, Levi-Strauss, General Motors, Lucchini, Coca Cola). In addition, there were several purchases of Polish firms in 1991 (by Beloit, Philips, Benkiser, Unilever, Pepsi Co., Henkel, Gerber, BAF). This is a drop in the sea of needs. And the needs are huge, in the field of infrastructure, environmental protection, and revival of entire industries and regions.

Economic advancement in any country is always coupled to a solid injection of foreign capital, technologies, and skills. This is an iron rule; no need to mention the Asian "Tigers," but for example in little Portugal foreign investment has been doubling each year, reaching \$3.8 billion in 1990 alone.

Most of the nearly \$5 billion invested so far in Central and East Europe has been captured by Hungary. The broad market of Latin America, where—from Mexico to Chile and Argentina—courageous and effective reforms are being implemented under the patronage of the International Monetary Fund and the World Bank, is opening. Thus, we are competing for limited resources of capital in the presence of a global recession on the one hand and expanding possibilities in Asia, America, and Europe on the other.

The accomplishments of the previous liberal administration in 1991, such as the passage of competitive laws [liberalized to conform with the legislation in] the neighboring countries is concerned, professionalism, and explicit rules for sector and mass privatization, may all

be wasted in the presence of popular prejudices and hesitant pronouncements of government officials.

If Poland is to be made again attractive to foreign investors, several steps should be taken at once. Among other things, Polkolor, Zamech, and the Bydgoszcz Pollena—all enterprises that are linked to foreign capital—should be viewed positively, though not uncritically, because they are bellwethers of what should be done by many Polish enterprises if we are to have an open market economy.

The Myth That Foreign Experts Are Intelligence Operatives

If capitalism is to be chosen, capital should not be rejected, nor should, even more so, knowledge about the arcana of the market. We cannot cope on our own, because we are too far behind the world of the second half of the 20th century. Especially painful is the post-communist void as regards financial and banking services, which in the West are handled by an entire army of experts whose special skills as yet lack counterparts in the Polish language. Privatization, too, requires knowledge which simply could not have been acquired in socialist Poland.

That precisely makes so valuable and deserving the technical assistance provided to Poland under the EC PHARE Program [Economic Reconstruction Aid for Poland and Hungary] and by the British "Know-How Fund," along with loans from the World Bank, and other forms of assistance. The utilization of related funds must follow detailed procedures, and especially mandatory bidding. It is generally foreign companies which win the bidding, because, objectively speaking, they are better.

The participation of such firms and institutions as S.G. Warburg, Arthur Andersen, International Financial Corporation, Societe de Bourses Francaises (stock market!), Price Waterhouse, CSFB, and Rothschild, in launching the Polish capital market and in privatization has been substantial. This means something more than just filling in our knowledge gap. The presence of renowned transnational companies makes Poland credible as a place for investment and offers a daunting challenge to our own indigenous consultants.

These kinds of services, being based on good examples, are growing well in Poland and maturing rapidly. For instance, the second "public offering" [of stock in] Wolczanka in 1991 was already handled solely by indigenous experts.

The maturing of the Polish consulting services and the gradual mastery of market skills are the best way of reducing the participation of foreign advisers. In contrast, the worst approach is spreading mistrust and hostility, yet unfortunately this is happening in Poland. I have noticed a relationship between proneness to chauvinist attitudes and ignorance of foreign languages. This is the simplest key to understanding the behavior of certain members of the current administration. Let me

offer the following thoughts to those who incite and participate in the campaign against foreign experts:

- The presence of the world's leading financial services in this country refines our market and results in gradual elimination of sham consultants and worthless expertises. These foreign companies moreover create jobs for Poles. For example, Arthur Andersen, which serves 90,000 customers in 67 countries, employs 50 Poles among its staff of 60 at its offices in Warsaw.

- Cooperation with advisers is based on rules and principles accepted worldwide and providing for, among other things, "confidentiality agreements" and other ways of keeping trade secrets.

- The pool of foreign money may be destined solely for this purpose and no other; either we utilize these resources to our advantage or we shall forfeit them to the advantage of the neighboring countries.

During its intensive and successful modernization in the 1960's, Japan earmarked nearly one-half of its budget—that is, its own funds—for foreign experts and for training its citizens abroad.

Inciting hostility to foreign know-how and capital in Poland—a country which is making a civilizational leap—verges at stupidity.

The Myth That the Best Companies Are Being Sold

At various places in Poland I have been asked, "Why are you selling the leaders among Polish companies instead of selling the worst companies?" But that is not true. On the contrary, and we have done much to promote privatization through receivership, which has been extended to hundreds of the weaker and weakest firms. Assets totaling something like 7.5 trillion zlotys [Z] have been put in receivership for economic reasons. In addition, 500 enterprises varying in their economic condition, that is, an additional Z5.6 trillion, are subject to gradual buy out in the form of so-called leasing [with option to buy]. Then also there were several spectacular moves that saved from bankruptcy such firms as Norblin, Polkolor, and the Warsaw Steelplant.

Yet privatization is still being perceived through the prism of the few purchases of good enterprises. This is understandable in cases of widely advertised "public offerings" (13 so far). In the nature of things this should concern the selection of good firms, which has not always succeeded. Several other cases concerned the conversion of firms that had been well known and profitable in the CEMA era into growth firms capable of withstanding the competition in the era of integration with the European Community. This is precisely what happened with Wedel [chocolate factory], the Rzeszow Alima, or, for example, the Bydgoszcz Pollena [cosmetics plant], by providing them with the needed injection of capital.

It must be said that strong companies sell best, and that this produces the best promotional effects. Let me also

add that, more than any other ministry, the Ministry of Ownership Transformation operates in a market-oriented environment, that is, where the law of supply and demand reigns and transactions are voluntary. Still, the sale of best enterprises is an exception, not a rule. In Poland weak, average, and good enterprises are getting privatized by various means.

The Myth of the State Treasury

The State Treasury as an institution is needed in Poland and should ultimately emerge. But it too has recently acquired mythological dimensions, and unrealistic expectations are being linked to it.

The State Treasury as a formal, legal agency concentrating in its hands the titles to ownership previously dispersed among various other institutions—that is something we can have. The existence of such an institution would serve to keep more accurate records of state property, that is, refine passive supervision by the owner. That is it, which is not much. As for all other things that at present are more important and urgent, these concern the active tasks of the owner, i.e., restructuring and privatization, which are not the proper tasks for an institution like the State Treasury.

The changing economy requires of the state that it be an active partner rather than an accountant and auditor. If we are impressed by the German Trusteeship Office [a kind of Resolution Trust Corporation for the former GDR], it is not because it owns and keeps count of the achievements of communist industrialization but solely because it privatizes and sells. Yet the rudiments of a similar machinery tailored to Poland (the Ministry of Ownership Transformation, the Ministry of Industry and Trade in the era of Henryka Bochniarz and Jacek Krawczyk) are right now being eliminated. And this is where the horrible visage of the myth of the State Treasury emerges. Ill-conceived notions serve to cripple the one particular element of the government which, despite its imperfections, had been adapted in 1991 to shouldering the burden and role of an active participant in institutional and ownership changes in the economy.

The myth of the State Treasury fits the spirit of the time, the tendency to speak more about ordering privatization and making it more "transparent" than about advancing it. To be more precise, there is plenty of talk instead of taking difficult decisions.

Magic Approaches and Patents

An intensive search is continuing in Poland for the nonexistent 100 million [as published]. A need for light, easy, and pleasant privatization is being sensed. In this country, it is hard to survive for ideas which do not meet these expectations.

In a way, I personally was responsible for stimulating the appetites by proposing in 1988, jointly with Jan Szomberg, and contrary to everyone—a special investment currency termed the asset voucher as a way of

accelerating privatization in East Europe. Since then, foggy prospects for a change in the system of society have turned into real reforms underway. Hence what is needed now is practical solutions rather than nebulous notions. One such solution is the mass privatization program. It has the advantage of being preceded by a study of its practicality, and it combines an opportunity for restructuring several hundred large enterprises with an opportunity for enlarging the number of private owners.

The field of further combat is open: In Poland there are several thousand enterprises to be privatized, and at the same time we have a problem with acceptance of the reform. But, let me repeat, the point is well-conceived programs rather than bright-eyed notions to be tossed around. The fact that the idea of asset vouchers keeps rearing its head in a primitive form, and that the notion of mass credit has also arisen, means that the climate for the shamans of privatization is still benign. As for the technical aspects of such notions and their consequences—how, when, and through the mediation of what institutions? How much would it cost? What would be the consequences to the market equilibrium and the capital market? Such questions do not bother those who believe in those notions. Nor do they realize that the vouchers represent securities linked to assets that must be readied for privatization, and that, in addition to the change in ownership, for which the vouchers or credit—not covered and not insured—are to be the magic instruments, management and capital influx, etc., are important too.

I wish to inform people with other fanciful notions of this kind that sparkling ideas are the nightmare of privatization, because they jack up expectations so much that no realistic program can meet them. There is the continuing problem with the mass privatization program, which in this country was prepared more thoroughly than in the neighboring countries. Yet in 1991, this program was being impeded from all directions, that being one of the biggest mistakes made last year, whereupon it was elevated to the rank of a banner program by the new administration; now, however, it is practically at a standstill. We are losing time, hundreds of enterprises are waiting to be privatized, yet the discussions continue.

The notion of perfect privatization should be abandoned. It is and will be the fate of East Europe to entertain programs that are far from perfect and that have to be refined while underway. Is that risky? Yes, but an immeasurably greater risk is involved if state industry remains so to speak frozen in its present form.

How Do Myths Arise?

The mythology of privatization did not arise of itself. Objective assessment of the pluses and minuses of that process has ended with the campaign for parliamentary elections, that is, in the fall of 1991. It was not a campaign in which responsible speeches were made and responsible platforms advocated. A simple mechanism

began to operate: If two panelists on TV could term privatization "the looting of national wealth," without giving any details, then the third panelist parroted them: As known, privatization is the looting of national wealth. It seems that what counts is stereotypes rather than the manner in which privatization is carried out.

At the time I and my associates knew and warned that privatization will advance if first it is dug out from the pile of nonsense and accusations. The right climate is just as important as the mode of operation. But later, things became even worse. An irresponsible segment of the press arose, publishing anything sensational. Programs such as "A Matter for the Reporter" opened the door ajar to lies and stupidity. As for the rectifications, unfortunately nobody reads them.

The new ministerial cabinet handles this matter from the standpoint of political convenience and very myopically. Conflicting announcements by government officials provide no clear signal. Some myths, such as those of the State Treasury, of the "ordering and transparency" of privatization, or the bias against foreign capital and foreign experts, serve the government as a smokescreen for its passivity. In the first half of 1992 privatization is running on empty.

Privatization, while a necessity for the Polish economy, is a loser if it becomes the preferred subject of the "war at the top" [disputes within the government]. It loses its impetus if the number of judges and custodians is greater than the modest number of individuals promoting ownership transformation. Such individuals either simply depart or testify before NIK [Supreme Chamber of Control] inspectors.

This intolerable situation has been one of the reasons why the idea of forming a grand reform coalition is being considered. Implied in this idea is the hope to find a language or a way of speaking about difficult matters that would serve to uncover the truth and promote public awareness. An explicit political mandate and trust are the keys to the success of the Polish reform.

Current Position of Polish Ocean Lines Viewed

92EP0428A Warsaw RYNKI ZAGRANICZNE in Polish No 50, 25 Apr 92 p 6

[Article by (S. Sok.): "Polish Ocean Lines on the Way to Holding"]

[Text] The Polish Ocean Lines [PLO] owns 80 ships, of which only 19 are used by the Szczecin Euro-Africa Company, and another four vessels by foreign ship-owners. Therefore, practically 57 ships and five charter vessels remain at the disposal of the Gdynia shipowner.

According to the chief director of the PLO, Henryk Dabrowski, no ship is currently sailing under a foreign flag, but a foreign flag hung for only a week on the container ship Abraham. The PLO director did not

conceal, however, that one day it might happen that the Gdynia fleet would begin sailing under such flags.

In 1991, the PLO fleet transported 5,137 passengers and 5,282,000 tonnes of freight, of which as much as 56.7 percent was foreign contractors' freight, transported between foreign ports. Only 30 percent was the freight of foreign-trade enterprises; the rest was transit. One should emphasize the high dynamics of freight transported between foreign ports, since it has grown over the last two years by 468,000 tonnes, or by about 18 percent. In this same period, the freight of the foreign-trade enterprises fell by 21.2 percent, and transit freight by as much as 26.7 percent.

Many factors have a bearing on the weak state of the Polish Ocean Lines. For an enterprise operating under the conditions of steep foreign competition, the current situation of the nation and in the shipping market is especially disadvantageous. The cultivation and development of a liner fleet is encumbered primarily by the lack of an explicit state maritime policy, difficult access to foreign credits, a high interest rate of zloty credits, and a national legal system that is continually not up to international standards. The small supply of Polish freight and dwindling transit are also barriers to development.

Effective operation is also hindered by the current organizational structure, lack of clear status of the owning enterprise, and a high degree of decapitalization of tonnage.

There is no doubt that proprietary transformations and radical structural and organizational changes are required. Management should be decentralized by transferring many powers to the heads of individual sections, services, and divisions.

It is proposed, in addition, to maintain the principle of concentration of ownership of the production means, and to separate the functions of owner from those of the user. It is assumed that the tonnage section will fulfill the function of owner of ships and containers, while the nonshipping section will be concerned with the proper management of the enterprise's entire remaining property.

The PLO management expects that the planned changes, with simultaneous introduction of internal economic accountability, will ensure the improvement of financial effectiveness. Obviously, there are sure to be structural changes. The creation of a temporary form of divisions is planned, which would allow for suitable preparation of a cadre and system of internal accounting, which would lead to attainment of an adequate image of profitability of the firm's individual areas of economic activity.

An example of such activity was the creation of a partnership with Euro-Africa on the base of the PLO division in Szczecin. This is a typical example of an operator partnership, which uses tonnage belonging to the Polish Ocean Lines. Introduced here was a clear

system of accounting, guaranteeing proper evaluation of costs and results, and based on talks between the PLO and Euro-Africa.

Simultaneously under way are talks and negotiations with foreign and domestic partners with adequate capital, allowing for mobilization of joint ventures in shipping and loading operations. The final goal of the transformations is, as Director Henryk Dabrowski said, a holding structure of the firm, allowing further development of the Polish Ocean Lines and competition in international shipping routes.

Foreign Investment in Methane Production Viewed

92EP0440A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 7 May 92 p IV

[Article by Krystyna Forowicz: "Competition Over Methane: We Expect a Storm"]

[Text] For some time, we have been inviting well-known firms to participate in competition for licenses to search for crude oil, natural gas, and methane gas in our country. Several days ago, Minister of Environmental Protection Stefan Kozlowski announced an unlimited competition for oil and gas licenses. The competition for exploration and extraction of methane from bituminous coal will be opened in a few days.

The example of the United States best illustrates the fact that high-methane gas from coal is a valuable resource. There, extraction has reached 4 billion cubic meters [m^3] annually in the last five years. For the moment, this is a new area, requiring special technology. The circle of producers is also narrow; it is limited essentially to the United States and Australia (France and Germany are now conducting tests). We do not have any real experience in dealing with methane. We do, however, have one of the richest deposits of that gas in the world. Thus, our invitation to firms which specialize in this area to carry out explorations in Poland.

A Game Worth the Trouble

Our methane riches, which just a few years ago we treated as a genuine misfortune, arouse understandable emotions among the largest firms in the world. We have three coal fields—the Upper Silesia, Lower Silesia, and Lublin basins—which are rich in this gas. The latter, least explored from the geological perspective, does not interest the foreigners. Our geologists, however, have no doubt that there are deposits of methane underground in the Lublin region; they plan to begin work there themselves.

In the case of the Lower Silesian Basin, the decision has already been made. Vikelt, a Polish-French company, has received permission to explore and identify methane in the entire mining region. Drilling will begin in early May.

The richest reserves of methane which can be extracted from coal regions are found in Upper Silesia. Specialists from Ravens Ridge, who completed an expert analysis for the EPA [the American Environmental Protection Agency], estimated the reserves at 1.3 trillion m^3 . Our specialists from the Bureau of Geologic Licenses and the State Geological Institute estimate them, more modestly, at 350 billion m^3 .

One way or another, the game is worth the trouble.

"We would be satisfied," says Marek Hoffman from the Bureau of Geologic Licenses, "if it would be possible to extract 4 to 5 billion m^3 annually. Even this amount would be sufficient to free Silesia from dependence on other sources of energy, from sulphured coal."

There Was No Agreement

We have mining regions in Upper Silesia, explains Director Hoffman, where the mines could extract the methane themselves, or with the cooperation of foreign firms, in accordance with present laws. Foreign firms are chiefly interested in areas where coal is not being extracted; geologists call these prospective, or reserve, regions.

A year and a half ago, three license applications came to the Bureau, from Amoco, Pol-Tex Methane, and McCornick. In the course of negotiations, the firms could not come to an agreement as to the division of allotments. At that time, Minister of Environmental Protection Stefan Kozlowski decided to organize an open competition. An advertising campaign was begun. A promotional seminar devoted to the problematics of extraction of methane from coal was held in London last May, with the cooperation of the Bureau of Geologic Licenses. The Western participants in this meeting received information packets on all of Upper Silesia, and detailed packets on smaller regions in which licensing blocs had been apportioned.

Director Hoffman assures that the best firms—those which present the most advantageous program, and offer the greatest extraction in the shortest length of time—will win the competition.

Problems With Licensing

Competitions for licenses to explore and extract raw materials in our country are, for many Polish enterprises, an unknown game. Therefore, it is worth noting one example of conflict, as a warning to other firms entering a business which is new to them.

The Jastrzebie coal mine received a license from the Ministry of Industry in March 1990 to conduct economic operations in the area of bituminous coal and natural gas extraction. It commissioned Pol-Tex-Methane, which was part of a joint venture company with the McKenzie firm, to conduct work on methane. Last April, two bills, amendments to geological and mining laws, took effect in our country. These laws

instructed economic units that licenses which have been issued remain in force as long as they are not in conflict with the regulations of these laws.

Investigations conducted by the Supreme Control Chamber [NIK] show that licenses issued heretofore do not fulfill the basic demands of the revised regulations.

In the case of the Jastrzebie mine, the NIK investigation showed that the license was issued for an unlimited period (which is not permitted), and included the mining of bituminous coal and natural gas by the method of demethanizing coalbeds; therefore, it could not give authorization to conduct independent studies of methane reserves. Moreover, not the mine, but Pol-Tex-Methane, to which the mine gave a license without the consent of the licensing body, is the investor in the project to mine methane. PTM has already begun work, but without a plan to develop the deposits, and without a study of the effect of mining on the coal deposits. It has also not said how it plans to protect the environment

from the salty waste water which would come out of the mining excavations. It has not, therefore, taken into consideration the fundamental principle of extracting the raw material without destroying the environment.

Despite reminders from the Bureau of Licenses, the mine did not submit the required documents. In this situation, Minister Stefan Kozlowski issued in April a decision to terminate the license for the Jastrzebie mine.

There are two sides to this affair. One can expect a lot of commotion; perhaps it will come to a conflict between the company, the mine, and the ministry. The foreign partner has initiated a court proceeding for compensation for the work begun and the equipment which was brought in. On the other hand, says Marek Hoffman, the decision of the minister of environmental protection gives us a strong hand. For we are on the eve of the opening of the competition for licenses to explore and extract methane from bituminous coal.

Izetbegovic 'Slow' To See Croatia as Ally
AU1606101392 Zagreb VECERNJI LIST
in Serbo-Croatian 1 Jun 92 p 11

[Article by F. Vukoja: "To Hell and Back"]

[Text] Siroki Brijeg—Alija Izetbegovic has, up to now, received both praise and criticism for his policies from the most relevant of authorities. Recently, he was praised for avoiding war so wisely, while moving towards sovereignty and recognition, and skillfully deceiving greater Serbian conquerors. But war could not be avoided, and an avalanche of criticism has started pouring down on the Muslim leader and president of a "sovereign state." He has been condemned for being so naive as to leave his people empty-handed in facing the bloodthirsty and avaricious chetniks, who have committed unprecedented massacres, and the greatest postwar genocide.

Alija Izetbegovic's critics criticize him for equating the criminals and the victims in Croatia, his noisy support of a "gradual" Yugo-federation with Kiro Gligorov, his utopian policy of equi-distance, and his naive belief in a peaceful solution to the political crisis in Bosnia-Herzegovina, despite the obvious greater Serbian conquering intentions of the Serbian Democratic Party and the militant extremism of the so-called Yugoslav People's Army. He is accused of naively believing in the power of the Muslim world to prevent the barbaric chetnik massacres and destruction of Muslim cities. An interesting question arises: Has Alija Izetbegovic, a convinced Islam believer and a man of indisputable moral qualities, gotten lost in the world of politics, despite his charisma as a fighter for the Muslim national cause? Politics are immoral, particularly when war is imposed as the only solution to state and national problems, and the end justifies the means in a Machiavellian way.

Alija's failure to win the media war, when he still could have done so—for a long time the Bosnia-Herzegovina public was guided by editors and journalists with a Yugoslav orientation, who finally had their eyes opened when Mladic [head of armed forces of Serbian Republic of Bosnia-Herzegovina] turned Sarajevo into rubble. He allowed people of suspicious political morals, who were sunk in corruption, to saunter about in his government. He naively believed that the Yugoslav People's Army could be brought to its senses, ethnically balanced, and turned into a Bosnia-Herzegovina army, not realizing its greater Serbian bolshevik essence. The war, which was not "his," as he himself often said, broke out full blaze in Bosnia-Herzegovina. He is most severely criticized for forbidding the population to arm itself.

Of course, it is not all Alija's fault. He personifies the policies of the Party of Democratic Action [SDA], in which he does not always have his way. Even if he agrees one day to something, under the auspices of the EC, the following day he has to deny it, under pressure from the SDA hardliners, so it is often the case that he gets all the blame for other people's mistakes.

The biggest error in SDA policies has been their very slow realization that Croats and Croatia are their only allies. It has been shown that the historical, geopolitical, traffic, economic, and civilizational links between Bosnia-Herzegovina and Croatia are of vital importance in the political leaning of Muslims, and the whole of Bosnia-Herzegovina. Better late than never. The Split agreement between the SDA and the Croatian Democratic Community, and the general support by Croatia, have absolved Alija of his many sins. Nobody can deny his good intentions, but Alija is no longer entitled to make mistakes.

Ways of Coping With Sanctions Proposed*AU1706081592 Belgrade POLITIKA in Serbo-Croatian
1 Jun 92 p 2*

[Commentary by Radivoje Petrovic: "No Justice, Some Hope"]

[Text] The adoption of the latest resolution in the UN Security Council, which practically imposes economic isolation on the Federal Republic of Yugoslavia [FRY], opens a new period for the citizens, the whole nation, and the current political authorities; a period, so far unprecedented in world experience, painstaking, according to announcements, and uncertain in length.

The new, still incomplete country is at the very start exposed to an international blockade imposed by a UN document that is most definitely characterized by unjustifiable severity and unjust one-sidedness. Local media and the creators of Yugoslav policies are absolutely right to underline these two facts. However, it is hard to fight the impression that, at the moment, Serbia and Montenegro, assembled in the FRY, are completely alone. Apart from indicating the modest effect of moves made hitherto, it is important to recognize this in confronting the near future, and seeking the answer as to what we are to do under such circumstances.

Serbia and Montenegro's experience in the diplomatic duels of the past few months has been very edifying—when we could see that it is our bad luck that justice and political criteria are not equal for all nations, and newly-created states. Although every citizen realized a long time ago that global political interests have drowned all our arguments, and that the tiny members of the FRY even figure as a significant topic in the complex American preselection campaign, it is still little comfort against the drastic UN economic and political measures, of a kind that, experts say, have never been applied to any of its member states. That is why the FRY must urgently begin to introduce fundamental changes in the political, economic, and diplomatic spheres. Regardless of how much we might feel at the moment that our dignity has been hurt, both on the citizens' and the national level, instead of working on the theory of international conspiracy against us, and blaming others for the poor standing of FRY, the world expects us to prove that we are willing to cooperate and respect the rules that govern the international community. Sovereign steps in that direction would serve two purposes: First, they would alleviate the people's fear of what is coming, and second, they would show that we are capable of functioning as a respected and equal member of the world.

This is certainly supported by the fact that sanctions and lasting isolation do not suit anyone in the world, least of all us. There is no need to elaborate this in our case. As for the world, there is nothing to be gained by keeping a part of Europe, particularly such an important region like the Balkans, as a quarantine, or a ghetto.

The key to changing this situation can already be discerned. It is obviously in the present conditions in Bosnia-Herzegovina, but not only there. It is of primary importance that peace and a tripartite order be established in Bosnia-Herzegovina. As for diplomatic efforts, an international conference on Yugoslavia should be held, and a lasting solution to the crises found. Finally, it is essential that the remainder of Yugoslavia is recognized, including the FRY.

In this inventory of necessary steps, the most important ones are those that will convincingly substantiate the fact that the FRY has no territorial claims on any of the former Yugoslav republics. To be truthful, president Milosevic's letter to Yeltsin and Bush, and the assurances given by the collective Yugoslav presidency to Butrus Butrus-Ghali, clearly present such a diplomatic effort, but the impression is that it could have been more effective had it been made sooner.

Good policies imply sound estimation and prepared alternatives for various political outcomes. If there has not been enough of either, then this is an opportunity to change habits and practice in that field.

As for the internal political course during the coming, hopefully short, isolation, it is necessary to achieve the minimum of national unity on the minimum of fundamental aims. Instead of segregation into traitors and patriots, we need an assembly of all capable, clever, and unafraid people, who would be ready to produce, through agreement and expeditiously, a platform that would replace concern for power with concern for the vital interests of the people and their destiny. The temptations that now face every citizen of the FRY do not allow anyone to improvise what their interests might be, since they are going to bear the brunt of the sanctions imposed yesterday.

As of tomorrow, the FRY will face the economic effects of the isolation, therefore changes in that field could be the start of adjusting to the new times ahead. Measures should already be under way to minimize the damage that might be caused by the blockade. One fortunate fact is that, in this pile of trouble that has befallen us, there is that old truth that the ways of business—which does not tolerate blockades—do not always coincide with the ways of politics. That is why the FRY has to answer to the isolation by maximal opening to foreign and domestic capital, and offer attractive advantages. That would probably be the most efficient defense against the embargo.

Although this approach to the sanctions may sound like "ramming optimism down one's throat," the fact is that there are no alternatives, and that in these new times of isolation almost everything will depend on us. Our cloud has two silver linings that have been neglected in the first shock of the sanctions. Firstly, the FRY has remained a member of the UN, and, secondly, its name, regardless

of all reservations about recognition, has obtained the right to exist in the latest, threatening resolution of the Security Council.

Not enough for justice, but enough to give some hope....

South Korea To Supply Oil to Macedonia

92BA0998A Skopje NOVA MAKEDONIJA
in Macedonian 23 May 92 pp 1-2

[Report by B.D. and B.J.: "Crude Oil for the Macedonian Market"]

[Text] *A South Korean firm in Seoul is prepared to supply approximately 500,000 tons of crude oil for the needs of our republic, to be paid on the basis of barter arrangements. A brokerage and Macedonian construction activities office will function in CIS [Commonwealth of Independent States].*

During the next three to four months, the Daevu firm in Seoul, South Korea, will supply approximately 500,000 tons of crude oil to meet the needs of the Republic for petroleum derivatives. We were informed by the general representative of the Zhitomakedonija Corporation that the oil will be paid for through barter arrangements for the export of Macedonian goods, in which Daevu has already shown an interest. More specifically, as compensation for such a quantity of crude oil, the South Korean partner will receive from Macedonia ferronickel from Fenimak, corrugated steel from EMO, ferrosilicon from Jugokhrom, and uncured tobacco, cigarettes, and other goods. Along with the implementation of such activities, the possibility is being explored to make arrangements, via Daevu, for the procurement of 160,000 tons of grain and approximately 10,000 tons of Pakistani cotton to meet the needs of the Republic's textile industry.

According to the information provided by Zhitomakedonija, other discussions have been held between the representatives of Daevu, the Ministry of the Economy, members of the government, and several Macedonian firms. Furthermore, the Macedonian side has expressed a readiness to purchase from Daevu 1.2 million tons of crude oil and petroleum derivatives, which would meet the Republic's annual needs. To this effect, it was agreed to investigate jointly and on a coordinated basis the possibility of paying for such quantities without the brokerage of world banks.

Let us also especially note that, so far, the Daevu operations in Macedonia have led to specific practical activities in other areas as well. Thus, it has already been agreed that that corporation will soon open in Skopje an office for brokerage activities and for the participation of Macedonia in construction projects in CIS. Engineers in various fields will be able to find employment in Russia, Ukraine, and other members of CIS. An agreement has already been reached for the South Korean firm to invest about \$1 million in feasibility studies concerning the building of a Skopje circumferential highway. This

project will be officially submitted by the Korean Government to the government of the Republic of Macedonia, and a protocol to this effect will be signed. It has been agreed upon to conduct feasibility studies for assembling 135,000 jeeps annually inside the customs-free zone of Fenimak, to be sold abroad, mostly on the Italian market.

Daevu and Zhitomakedonija are also intensively working on contracts with EMO to assemble 4,000-5,000 television sets with screen sizes ranging between 51 and 70 centimeters, to be sold on the markets of neighboring countries, to be followed by agreements with Jugokhrom to assemble radio cassette players, and to finish telephones and telefax machines with Videoinzhnering and the Makedonija postal, telegraph, and telephone service. We are expecting the completion of the first arrangement between Daevu and the Skopje steelworks soon, to produce and market electronic scales for up to 15 kilograms. Next month, the Skopje ironworks, Jugokhrom, and Fenimak will be visited by Daevu experts, who will also visit the well-known POSKO steelworks. Starting already in June, it is expected that, as the first regular joint activity, Daevu will exhibit and demonstrate the products of its own production program.

Adzic on Resignation, 'Dilemmas' of JNA

92BA1063A Belgrade NIN in Serbo-Croatian 5 Jun 92
pp 31-33

[Article by Lieutenant General Blagoje Adzic: "A Coup d'Etat Would Not Have Succeeded"]

[Text] *Former acting Federal Secretary for National Defense, and before that chief of the General Staff of the SFRY Armed Forces, Lt. General Blagoje Adzic states for NIN the causes and reasons for his resignation, and interprets the dilemmas: whether the JNA [Yugoslav People's Army] lost the war, whether there was treason in the JNA (and who is the traitor), whether things could have been done differently, what awaits us in the future....*

At the end of my military career, and possibly my life's as well, I also want to state my positions and views on certain other issues.

Did the JNA lose the war, regarding which there are frequent polemics and speculations?

The briefest answer is that IT DID NOT.

1. In order for any army, including the JNA, to win or lose a war, the competent state authorities have to declare a state of war, and the Supreme Command, headed by its commander (the SFRY Presidency), has to determine and define the war goals for the strategic level. Everyone is aware that this did not occur.

2. That part of the people in our former joint state of Yugoslavia which did want to continue living together in a joint state, its legal representatives, and the JNA did not want war. All that they sought and wanted was for

the peoples to decide freely, exercising their constitutional right to self-determination.

Those who wanted the opposite, and naturally their masters, as the joint destroyers of the former Yugoslavia, imposed the war that is continuing even now. Thus, there absolutely did exist a scenario according to which Yugoslavia had to be destroyed.

3. The war in Slovenia was stupidity. At that time we were still carried away by the idea that by securing the external borders, conditions could be ensured for a peaceful agreement on the country's future, naturally while respecting everyone's right to self-determination. We were caught by surprise in this regard. Even that war, however, could have been won if a decision on a state of war had been made then. I think that the decision to abandon Slovenia was better, since there was nothing to defend there, and there was no need for further killing without any purpose or sense. The public is aware of how that war came about.

4. The war in Croatia was inevitable because it was prepared, planned, and imposed. Naturally, in Croatia there was something that had to be defended. It was necessary to defend the Serbian people against fascist-Ustasa genocide. In the beginning the army prevented that genocide by separating the opposing sides, but then the JNA was directly attacked. The JNA absolutely liberated all the Serbian Krajinas and broke through to almost all the ethnic borders and protected the Serbian population. The exception is western Slavonia, where propaganda played a very fundamental role in the abandonment of the area that was held by the Serbian insurgent and territorial forces.

Many questions are often raised here: why the arming of Croatia was not prevented, why Croatia was not defeated, and many similar ones. Naturally, such questions are more for the purpose of propaganda and the struggle for prestige or the achievement of certain other goals, than they are a result of any objective and serious analysis.

The JNA achieved the only possible goal—it broke through to the ethnic borders and protected the Serbian people against genocide and in all those battles and struggles, it defeated the Croatian army on the front and within the planned guidelines regarding purpose, time, and space. Could all of Croatia have been occupied through war? Of course, but then we would not have remained consistent with the formulated and proclaimed goal set by politics. Those who think that it should have been that way are forgetting how the world public and especially the European public reacts. In spite of all the attacks against the JNA, the claim that the JNA is the aggressor still cannot be argued and proven. This means that the JNA defended itself and those who were in danger, and that it ensured the conditions for the international community to undertake further responsibility for the protection of the Serbian population in the Serbian Republic of Krajina [SRK]. The extent to which

the UNPROFOR [UN Protective Force] will be effective and successful, and the extent to which politics will be able to help the Serbian people in the SRK to exercise their rights, are no longer a matter for the army. Let us hope that the Serbs in the SRK will be able to defend what has been won in battle.

The JNA Won All the Battles

5. The war in Bosnia-Herzegovina began and is being conducted according to the same scenario as in Croatia, although it has its own specific characteristics, some of which I will cite. In the first place, the war in Bosnia-Herzegovina was started by the Croatian Ustasa-fascist occupation army, which began its well-known operations in Posavina and in Kupres, where it committed crimes well-known to the public, and genocide against the Serbian population. In the second place, the basic goal of those operations was to shift the war onto the territory of Bosnia-Herzegovina, thus creating the basic prerequisites for destroying the UNPROFOR peacekeeping operation plan and for an offensive by the Croatian army against the SRK and the recovery of those territories. In the third place, the war in Bosnia-Herzegovina also suited the Muslim fundamentalists, in order to thwart the accomplishments achieved at the Conference on Bosnia-Herzegovina and fulfill their desire for and dream of creating a Muslim state under the guise of a civil republic. With the well-known scenario and the specific features emphasized, the war was inevitable. The army and the Serbian people were attacked again.

The army did not lose this war either, which lasted for a short time, at least as far as the JNA is concerned. The circumstances under which the army was transformed in Bosnia-Herzegovina through the withdrawal of Federal Republic of Yugoslavia [FRY] citizens, and the determination of the Serbian people in Bosnia-Herzegovina to oppose the aggression itself, are well-known.

6. Of course, one should add to the above-stated facts the series of problems with which the army struggled. These are: the response by recruits for regular military service, which ranged from 40 to 50 percent in those areas where it objectively could have been 100 percent (the response by military conscripts for units mobilized for war ranged from 30 to 50 percent, where it objectively could have averaged at least 80 percent, but in reality the average was about 47 percent); the constant drifting away by soldiers and officers from the republics that seceded; the various movements of parents and peace activists; the constant attacks against the JNA and its leadership by almost all the opposition party leaders; and many other problems.

In spite of all the problems and misfortunes which the JNA struggled against and endured, it won all the battles. Its withdrawals from certain territories and areas were political decisions, and not the outcomes and results of the struggles and battles that were conducted. The JNA exclusively carried out the decisions and directives of the SFRY Presidency, as the commander in chief of the

SFRY armed forces. The public is aware what kind of commander in chief we had and what the decisions were like and how they were made.

Whether there was treason in the JNA and who is a traitor—this is actually the topic of the day for the news media, and especially certain individuals, in attacks against the JNA.

One cannot speak of classic treason. In order to understand this problem, one must keep in mind the complexity of the Yugoslav crisis. Is a traitor the military person who crossed over to the side of his own people, if the vast majority of that people was against living together and embarked upon war, and furthermore there was no decision that Yugoslavia would be preserved even at the cost of a general civil war? The answer to that question is very complicated, and of course, I would leave it to people who can better explain this, professionally and expertly. Viewed from the purely army aspect, there were individual and even group betrayals and sellouts by some garrisons. Most of these officers, however, left the JNA legally, by request, and a considerably smaller number deserted. The soldiers who left units deserted, as a rule, but most of them did so without weapons. All of this has to be understood as an almost natural process in such a complex crisis. In that way the army was gradually and naturally purified, and became increasingly stronger and more homogeneous. It must be acknowledged, however, that until the very end many JNA members from the republics that had seceded remained in the JNA. Perhaps a few of them remained because they were assigned to do so, but I am firmly convinced that the vast majority of those people honorably observed the oath that they swore to the army. That is why I think that it is not correct or decent that we are now treating them like foreigners, and that they are being retired and dismissed from the Yugoslav army, as was also done, after all, with the last retirement of the generals, among whom there were also a considerable number of such officers.

Was there treason in the so-called military leadership?

I think that first of all one must understand what the military leadership is. Every army in the world, including ours, has a military commander (here, unfortunately, it is a collective military commander), and it has the staff of the supreme command. It is thus the supreme command and the military leadership. Only the commander has the right to make decisions. Treason existed, but it was in the SFRY Presidency: The conduct of Stipe Mesic, Janez Drnovsek, Vasil Tupurkovski, and Bogic Bogicevic is well-known. They are pure and orthodox traitors, foreign mercenaries, and spies.

After their departure, I think that the remaining half of the SFRY Presidency mostly functioned correctly. Recently, however, incorrect behavior toward the army began. I personally think that the recent settling of accounts with the generals is aimed at shifting the guilt

for certain political blunders or unfulfilled plans to the JNA, and to its "incompetent and disobedient generals."

When there is public discussion of the military leadership, however, people are usually thinking, in the narrow sense, of Army General Veljko Kadijevic, Lieutenant General Blagoje Adzic, and Admiral Stane Brovet, and in the broader sense, also of the undersecretaries and assistant federal secretaries of national defense. Were we really traitors, or at least a few of us? We were not traitors.

Routine Scribblers

Could things have been done differently? Possibilities existed, of course.

1. We worked in accordance with the politically proclaimed goal of "peoples' right to self-determination and life together in Yugoslavia for those who want it," and in accordance with the very complex international and domestic situation. All the major decisions on the JNA's involvement were made by the SFRY Presidency.

In achieving this political goal, that military leadership, as it is understood by the people, did everything, I would say, in accordance with the situation, optimally according to our assessment. Perhaps it could have been more decisive in attacks, with stronger combat equipment and at a greater depth, with higher losses, devastation, and destruction. The ultimate outcome probably would have been the same. We followed this path (the results are known to us), and it is naturally subject to criticism, but also to objective analysis.

2. Another possible option for the JNA's involvement could have been general war. This would have required the declaration of a state of war and the formulation of the strategic goals for the war. That was not within the competence of this military leadership "of traitors."

3. This military leadership "of traitors" could have carried out a coup d'etat and seized power in the state, and instituted a military administration. How realistic this option was can be assessed later on by military and political experts. According to our assessment, the alternative of a coup d'etat would not have succeeded under Yugoslav conditions. We considered that alternative and evaluated it in detail, but we arrived at the conclusion that a strong foreign power always stood behind those successful military coups. There was no one with us, and it is not hard to conclude even at first glance what the outcome would have been like. Only those who view things superficially and unprofessionally can believe in it.

4. Finally, there was one more possibility—giving up on any joint state in the very beginning, and having the army divided among the republics. This is once again within the competence of politics, and not the army. Nevertheless, in that option as well the fate of the Serbian people outside the present FRY is well known.

Accordingly, calling us traitors and incompetents today is extremely incorrect. It is usually done by the malicious, and when the army is involved it is done by the usual routine scribblers who never once went to the front and smelled gunpowder, and who never in their lives carried out an exercise larger than platoon-company. It is sometimes also done by dubious "warriors." Unfortunately, I must say that it has also been done sometimes by very brave commandants and commanders who felt, within their sphere of responsibility, that they could carry out combat operations more successfully, but were not allowed to. They simply could not comprehend that kind of war and all the influences from outside and from within. They learned how and knew how to fight, and that broke their hearts. I have never criticized this last group.

As far as treason is concerned, and even the correctness of the decisions and in general the outcome of the war, I am personally prepared to accept any judgment, and particularly the people's objective judgment. I think that all my comrades from the so-called military leadership are also prepared for this. My conscience is clear that I did everything that I could and knew how to do, in cooperation with all the members of the staff of the Supreme Command and the subordinate commandants.

It is not honest today when my former commander in chief, or an individual from it, Mr. Kostic states after the retirement of the generals, "and some of them also made the wrong decisions." Mr. Kostic, it is the Supreme Command's right to replace any of its subordinates at the moment that he makes the wrong decision that is not in accordance with the Supreme Command's decision, without this being an argument for it to conduct a general purge in the army. Naturally, this is a completely broad and arbitrary statement, like many others that have been uttered in public. The only real [word illegible], if I am not mistaken, is the first public statement, well known to the people, that we will nevertheless "eat roots." If that happens, Mr. Kostic, someone else is still responsible, and least of all the JNA.

What do I expect in the future, or, rather, what would I like to happen in the future?

I would like the United States and the EC finally to stop behaving in a biased manner, and finally realize and admit that they committed unforgivable mistakes and blunders with respect to the former Yugoslavia, and that to a great extent they bear the responsibility for the situation in our country and the increasingly greater complication of the crisis, instead of its resolution. I hope that finally, honest people in the world and in Europe will realize that the former JNA and the Serbian people in the former Yugoslavia were not the aggressors and were by no means the main causes of the war, and that the Serbian people and the Serbian states are not seeking anything more for themselves than others are. They are seeking the right to self-determination and to be on their own.

Until this is realized, there will not and cannot be a just and lasting resolution of the crisis in the former Yugoslavia.

War Is an Expensive Thing

2. [number as published] I expect and want the new FRY state to become stronger as quickly as possible and to be ready to defend its integrity, to proceed quickly to economic progress, and to become and remain the hope and strength to support the Serbian people who have been left, through a fait accompli policy, without the state they desire—a joint state. Of course, such a strong new FRY state will do everything possible to make its citizens as equal and loyal to their joint state as possible. If there is a continuation of the policy of the destruction of this new FRY as well by certain peoples that have been living here for decades with outside support, I predict the American recipe from Los Angeles.

3. I expect, and it is my great desire, that the peoples in Bosnia-Herzegovina will reach an agreement as soon as possible, and cease the bloodshed and material devastation. Naturally, this is only possible if all three peoples demonstrate a desire for this, and if outside influences and diktats cease. I am convinced that this is desired by the vast majority of the Serbian people, and I am sure that it is also the desire of a large part of the Muslim people. It should also be in the interest of the Croatian people. There will not be any peace in Bosnia until the Croatian Ustasa-fascist army which started the war, and of which unobjective Europe only speaks in passing, withdraws from the territory of Bosnia.

If the Croatian-Muslim coalition in Bosnia-Herzegovina continues its warlike behavior, and violates all agreements and treaties, with moral and material support from outside, and even threats of the use of force, the Serbian people has no other choice but to rise up in arms en masse; this also implies the return of all the Serbs who withdrew from the territory of Bosnia-Herzegovina, to fight until they win their rights, and in defense of their dignity.

The threats or demands of certain countries to send foreign armed forces to Bosnia-Herzegovina, and even to have them engaged against the FRY, are unrealistic, and are advocated by those who would reestablish the world order again by force according to their own taste. War is an expensive thing, and any foreign aggression against Bosnia-Herzegovina and its Serbian people would be met with an armed struggle.

It is better for those who are not willing to carry out combat operations there to allocate monetary resources for the UN forces to separate the belligerents, and approach real political solutions. In this way they would save the lives of many citizens of Bosnia-Herzegovina, and also citizens of those countries that would establish order in Bosnia-Herzegovina by force.

4. I expect that the peacekeeping operation of the UNPROFOR forces will conclude successfully, and that

the Serbian people in the SRK will be protected. I feel that after peace is ensured on the territory of our former state, the Serbian question in the SRK will be resolved fairly. Europe and the world will probably have to acknowledge at last that three massacres and three genocides against the Serbs in the former Croatia in one century are enough.

5. And, at the very end, I want the new Yugoslav Army, transformed from what is now the former JNA, to become stronger quickly, and I want its combat readiness and above all its high morale to be a guarantee of the stability and survival of the new FRY and a hope of assistance to brother Serbs if they are in danger in other parts of the former Yugoslavia. I want to express great appreciation for the brave soldiers and officers of the JNA who did everything that they objectively could. Dear soldiers and officers, I had complete confidence in you. A people that has such soldiers and officers can be secure in its future; just a few things have to be put in the right place. I hope that the careerists and speculators will soon show their real faces, and that there will not be a place for them among you.

I hope that Mr. Branko Kostic's private personnel council will soon cease work, and that you will work correctly and honestly.

I wish the new military leadership much happiness and success in its work, and I recommend that you only deal with people humanely and with dignity. I will be extremely delighted by all your successes.

Relations Between Macedonian, Serbian Churches

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in Macedonian 22 May 92 p 4

[Article by Miroslav Spiroski: "St. Sava Tactics"]

[Text] Or: *What lies behind the hypocritical pretext of the Serbian Patriarchy on organizing a symposium to prove that the MPC [Macedonian Orthodox Church] is the canonic heir of the autocephalous Ohrid Archbishopric?*

The Serbian Patriarchy presented us with a new surprise. Now the St. Sava bishops, gathered for the annual meeting of the Holy Assembly of Bishops of the SPC [Serbian Orthodox Church] in Belgrade, which is currently taking place, are asking for a symposium of the Macedonian people and the autocephalous MPC to be held in Macedonia, at which the experts should be able to prove that the present MPC is the canonic heir of the autocephalous ancient Ohrid Archbishopric! This means that, instead of the announced common services of the so-called Holy Bishop Liturgy conducted by high Macedonian and Serbian and other clergy, publicly announced by the Serbian side repeatedly since the start of the Serbian-Macedonian interchurch discussions that began two and a half months ago, the Serbian clerical

diplomacy is now asking for something entirely different, alien to relations between the two churches. This is the latest avoidance on the part of the SPC to discuss the core of the matter.

On this occasion, it is necessary to note that no gaps can be found in the ecclesiastical scheme that would raise the question of the MPC's autonomous status; with the "reexamination" of its improper attitude toward the MPC, particularly over the past 25 years (after the MPC was proclaimed autocephalous in 1967, thus rejecting the Serbian Patriarchy), the SPC is trying to manipulate changes in the canonic laws with the help of some kind of scientific demonstration that has nothing to do with the Christian missionary work of the Orthodox Church and is nothing other than an attempt to conceal the truth and "throw sand in the eyes of others"! This is nothing but another sham on the part of the St. Sava bishops in the application of their tactics, which, of late, they have been promoting with a demand of some sort of "fraternal love" at the time of the inevitable demand for Macedonia to be given international recognition as a sovereign and independent state, which does not suit the Greater Serbian chauvinist cause.

That is why when, a few days ago, we wrote in our newspaper that we must be extremely cautious when it comes to the unexpected "great fraternal love" coming from Belgrade in church relations because to us the only thing this could mean is Serbian resignation (the question of a Macedonian resignation has never arisen), with total acceptance of the autocephalous status of the MPC by the SPC and the reestablishment of canonic and sisterly love between the two combined churches, we were referring precisely to these tactics of the Serbian bishops. This forces even the most convinced laymen to question the honest desire of the Serbian side to reestablish the true Christian and evangelical love with the MPC with which it had unilaterally broken relations because, if we respect the ethnic rule of relations based on equality, which is the only one that must be applied in relations with the SPC and the other sister churches, who, in that case, would need some kind of symposium at which one should prove a long-established truth? It is certain that we do not need a symposium.

However, it is also more than certain that such demonstrations are needed by people such as Jovan the Zagreb-Ljubljana archbishop, who denied the existence of the Macedonian people and their church. The fact that he is not alone in the Serbian Church leadership was quite suitably confirmed by last year's message issued by the Holy Episcopal Assembly of the SPC to the believers on the occasion of the "50th anniversary of the suffering of the Serbian Church and people," which most shamelessly rejected the existence of a Macedonian nation. This anti-Macedonian pamphlet was signed by the Serbian Patriarch Pavle, who confirmed his views on this matter in his statement during his recent visit to Greece. The fact that, in the case of the MPC, the SPC is now seeking the help of quasi-scientists is confirmed by the action of the so-called Historical Institute of the Serbian

Academy of Sciences and Arts, which, on a "scientific basis" and with the blessings of the SPC, has declared Macedonian churches and monasteries to be Serbian!

And what are we to say about the attempt to prove (in Okhrid at that!!!) the unbreakable canonic link between the Okhrid Archbishopric and the MPC, in the context of the tangled current anti-Macedonian games being played? One can only ask oneself: Are there so many historical and other gaps facing some Orthodox bishops as to make them ask for the help of some kind of scientists to prove the long-proven truth, something they are now attempting to do? This, however, is their problem. Our problem is to say that the eventual acceptance of the suggested symposium would mean that the Macedonian side has failed the test of proving the irrefutable truth that the MPC is the canonic heir of the autocephalous nature of the Okhrid Archbishopric, whose daughter is the SPC, as well. This will also mean threatening the autocephalous status of the MPC, which is the final objective of the Serbian Patriarchy, considering that for quite some time the latter has wanted to

return the MPC to an autonomous status, which would mean that the Serbian patriarch would be the head of both churches.

This is the song—or, to use church language, the litany—we have been listening to for quite some time in Macedonia and with which we are familiar. Actually, the Serbian side should realize, once and for all, that there no longer exist Macedonians who would sacrifice their Macedonian identity for the sake of continuing to "pray" to the Holy Cross under someone else's dictate. The SPC has the right to organize symposiums or any other scientific gatherings to prove its own truths. However, this must be limited to its own diocese. Okhrid is in the Macedonian state and in the diocese of the MPC, which is perfectly familiar with its St. Kliment legacy. It is on this basis that it is continuing to follow its autocephalous path, whether someone else likes it or not, the more so because, in a sovereign and independent Macedonian state, the evangelical love of the autocephalous MPC can only grow. This is the age-old dream and struggle waged by the Macedonian people.

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